

Performance Appraisal

Chapter 1. Legal Requirements and Authorities

This document implements provisions of the following authorities:

- a. Performance Appraisal, 5 U.S.C. Chapter 43; DAO 202-430
- b. Official Personnel Folder, 5 CFR Part 293, Subpart C

.01 The following citations are related to this document:

- a. Agency Administrative Grievance System, 5 CFR Part 771
- b. Federal Employees' Health and Counseling Programs, 5 CFR Part 792
- c. Adverse Actions, 5 U.S.C. Chapter 75; 5 CFR Part 752
- d. Incentive Awards, 5 U.S.C. Chapter 45; Awards, 5 CFR Part 451
- e. Pay Rates and Systems, 5 U.S.C. Chapter 53; Pay Under the General Schedule, 5 CFR Part 531; Grade and Pay Retention, 5 CFR Part 536; Pay Administration (General), 5 CFR Part 550
- f. Actions based on unacceptable performance, 5 U.S.C. 4303; and Performance Based Reduction in Grade and Removal Actions, 5 CFR Part 432
- g. Probationary and Trial periods, DAO 202-315

The Director for Human Resources Management is responsible for any necessary revisions of this Handbook. In developing and implementing performance management systems, the Department of Commerce and its operating units will be mindful of their obligation to labor organizations with exclusive recognition (5 USC 7114) or national consultation rights (5 U.S.C. 7113).

Chapter 2. Definitions

Acceptable Performance is performance that meets the acceptable level of performance for the Department's 5-level rating scale.

Agency is the Department of Commerce.

Appraisal is the act or process of evaluating the performance of an employee against the prescribed performance standard(s).

Appraisal Cycle is a one-year period established by the Department's Performance Management System, which an employee's performance will normally be reviewed.

Approving Official is normally the supervisor who assigns, controls, and is responsible for the work of the rating official, and is usually the rating official's immediate supervisor. However, operating units or Departmental offices may designate a higher level official in the management chain as the approving official, provided this designation does not conflict with any other provisions of this document. The approving official is responsible for approving the final performance rating.

Critical Element is a component of an employee's position consisting of one or more duties and responsibilities which contributes toward accomplishing organizational goals and objectives, and which is of such importance that unacceptable performance on the element would result in unacceptable performance in the position.

Generic Performance Standards are performance standards that can be applied to all employees covered by the 5-level performance management system. (See Appendix A for more information)

Interim Rating is a rating that should be prepared during the course of a rating period when an employee has spent the minimum appraisal period (120 days) in a covered position and then changes to another position. This may happen more than once during the rating period.

Major Activity is a task, duty, or project to be accomplished in support of a critical element.

Meritorious Step Increase is an increase in a foreign service employee's rate of basic pay from one step of his or her position to the next higher of the grade. Only an employee who receives a rating of record at Level 5 or equivalent is eligible.

Minimum Appraisal Period is the minimum length of time an employee must perform under a performance plan prior to being appraised. The minimum appraisal period is 120 days.

Opportunity to Demonstrate Acceptable Performance is a reasonable time period within which an employee, whose performance has been determined to be at Level 1 in one or more critical elements, has an opportunity to demonstrate performance at a level above Level 1.

Performance is an employee's accomplishment of assigned work as specified in the critical elements and as measured against standards of the employee's position.

Performance Award is a one-time cash payment to recognize the contributions of an employee and is based on the rating of record. A performance award does not increase base pay.

Performance-Based Actions are the reduction in grade or removal of an employee based solely on performance at the unacceptable level.

Performance Improvement Plans (PIP) are developed for employees at any point in the appraisal cycle when performance becomes Level 1 (unacceptable) in one or more critical elements. This plan affords an employee the opportunity to demonstrate acceptable performance and it is developed with specific guidance provided by a servicing human resources office.

Performance Management is the integrated process by which an agency involves its employees in improving organizational effectiveness in the accomplishment of agency mission and strategic

goals. Performance Management consists of: performance planning, monitoring employee performance, employee development, evaluating employee performance, and recognition.

Performance Plans are the documentation of performance expectations communicated to employees from supervisors. Plans define the critical elements and the performance standards by which an employee's performance will be evaluated.

Performance Standards are statements of the expectations or requirements established by management for a critical element at a particular rating level. A performance standard may include, but is not limited to, factors such as quality, quantity, timeliness, and manner of performance.

Pre-appraisal Meeting is a meeting, although not mandatory, which may be requested by an employee prior to the formal appraisal meeting with the rating official. During this meeting the employee may: (1) present an assessment of his or her accomplishments during the appraisal period; (2) cover aspects of his or her work of which the rating official may not be aware; and (3) identify what he or she would like to include in the next cycle's performance plan.

Progress Review is a formal feedback session at which the rating official and employee discuss: the employee's progress toward meeting the elements in his or her performance plan, the need for any changes to the plan, and any performance deficiencies the supervisor has noted.

Quality Step Increase is an increase in the General Schedule employee's rate of basic pay from one step of his or her position to the next higher step of the grade. Only an employee who receives a rating of record at Level 5 is eligible.

Rating is the written record of the appraisal of the employee's performance in each critical element and the assignment of a summary rating level.

Rating Official is the person responsible for informing the employee of the critical elements of his or her position, establishing performance standards, providing feedback, appraising performance, and recommending the performance rating. Normally, this is the employee's immediate supervisor.

Required Performance Elements are performance elements that apply to all employees in an organization. Customer Service is a required element for all employees. An additional element, Leadership, is required for all managers and supervisors.

Summary Rating (or Rating of Record) is the overall performance rating for the most recent performance year. This rating is established by combining the individual ratings on each element to arrive at an overall evaluation of an employee's performance for an appraisal period.

Supplemental Standards define performance in terms of results (what is to be accomplished) and process (how it is to be accomplished). Supplemental standards are expressed in terms of quality, quantity, timeliness, cost-effectiveness, or other relevant measures, rather than tasks or specific duties.

Unacceptable Performance—performance that fails to meet the established performance standards in one or more critical elements of an employee's position. It is referred to as a Level 1 rating on the Department's 5-Level rating scale.

Within-Grade Increase (WGI)—a periodic increase in an employee's rate of basic pay from one step of the grade of his or her position to the next step of that grade.

Chapter 3. Coverage

The policies contained in this document apply to all Department of Commerce employees except the following:

- employees in the Senior Executive Service;
- Presidential appointees;
- administrative law judges appointed under 5 U.S.C. 3105;
- positions filled by noncareer executive assignments under 5 CFR Part 305;
- positions for which employment is not reasonably expected to exceed 120 calendar days in a consecutive 12-month period;
- employees outside the United States who are paid in accordance with local native prevailing wage rates;
- employees covered under the Demonstration Project;
- employees covered under the Alternative Personnel Management System;
- employees covered by the Foreign Service Act of 1980, as amended;
- NOAA Corps Commissioned Officers;
- individuals occupying positions not in the competitive service excluded from coverage by the Office of Personnel Management (OPM) under the provisions of 5 U.S.C. 4301(2)(G); and
- experts and consultants.

Additional Coverage Guidance

Details - Coverage is determined for employees who are on a detail by the position of record. Performance on the detail may be evaluated and included in the summary rating if a performance plan for the detail was established and the detail lasted for at least as long as the minimum appraisal period (120 days).

General Schedule - Employees whose service is temporarily interrupted by service in any federally-sponsored program (e.g., Intergovernmental Personnel Act), which calls for the employee's return to the same or like position, continue to be covered by the Performance Management System while on the federally-sponsored assignment.

Schedule C - employees, as authorized by 5 CFR Part 213.3301, are covered by this system except that they are not afforded the rights required by 5 U.S.C. 4302(b)(6) and 4303.

Foreign Service – employees covered by the Foreign Service Act of 1980, as amended, are covered by the Recognition portion of this handbook only.

Chapter 4. Roles and Responsibilities

Heads of Operating Units or Departmental Offices:

- ensure that the operating unit instructions on the Performance Management System are consistent with: current laws, applicable Office of Personnel Management rules and regulations, Departmental policies, this Handbook and valid collective bargaining agreements;
- ensure managers and supervisors receive training covering their duties and responsibilities;
- ensure covered employees are informed of their rights and responsibilities under the system;
- provide managers and supervisors with clear instructions on procedures for developing performance plans;
- communicate, in writing, overall missions, objectives, organizational strategic goals, and plans to all levels within the organization and ensure alignment of individual performance plans with organizational goals;
- ensure the opportunity exists for employee participation in the development of performance plans;
- ensure the maintenance of appropriate records and submit required data and reports on the operation of the Performance Management System;
- ensure that performance appraisal results are used by managers and supervisors in making personnel decisions regarding training, rewarding, reassigning, promoting, reducing in grade, retaining, and removing employees;
- ensure managers and supervisors meet appraisal deadlines and responsibilities;
- encourage employee recognition to reward and motivate employees; and
- monitor and evaluate the effectiveness of the program and take corrective action as warranted.

Approving Officials:

- review critical elements and standards to ensure consistency with organizational strategic goals and plans;
- review, approve, sign, and date performance plans prepared by rating officials;
- facilitate conflict resolution between rating officials and employees over the content of performance plans;
- review performance plans and final ratings to ensure that evaluation criteria are objective and job-related, and that actual accomplishments or deficiencies identified by the rating official support the rating including documenting reasons for changing ratings;
- approve, sign, and date final summary ratings;
- approve or recommend performance-related personnel actions, including awards.

Rating Officials:

- inform employees of the agency's mission and organizational strategic goals, plans, and activities of the work unit, and inform employees of their related duties and responsibilities;
- encourage employee participation in developing performance plans;
- provide employees with written performance plans which identify the critical elements and performance standards related to their specific duties, responsibilities, and expected levels of performance;

- engage in continuous dialogue with employees to ensure performance plan requirements are being met;
- conduct and document at least one formal progress review around the midpoint of the appraisal period and provide written feedback to employees;
- modify performance plans, as necessary;
- participate in the pre-appraisal meeting, if one is requested by the employee;
- complete appraisals which include determining and evaluating employees' actual performance;
- confer with approving officials about their organization's performance and obtain approval on the ratings they plan to assign their employees;
- obtain approving official's approval before discussing ratings with employees;
- document instances of unacceptable performance such as missed deadlines or poor quality work products;
- discuss the approved final appraisal with employees;
- sign and date performance plans, performance appraisals, and ratings;
- provide employees with a copy of the rating of record at the end of the appraisal cycle;
- recommend personnel actions (including awards), performance-based actions, and/or training based on employee performance in relation to performance standards; and
- submit the ratings assigned to each employee within 30 days of the end of the appraisal cycle to the servicing human resources office for entry into the automated employee record.

Employees:

- participate with supervisors in developing performance plans;
- perform duties and responsibilities in accordance with performance plans and position descriptions;
- document accomplishments against performance standards for both the progress review(s) and the final appraisals;
- participate in a scheduled progress review and request additional review(s), as necessary;
- schedule a pre-appraisal meeting with the rating official, if desired;
- participate in the appraisal process with the rating official;
- sign and date performance plans, performance appraisals, and ratings to acknowledge receipt;
- prepare written comments if desired; and
- personally identify and request developmental opportunities/training to enhance performance.

Human Resources Offices:

- communicate to supervisors, general workforce employees, and appropriate exclusive bargaining unit representatives the purpose and procedures of the appraisal system and its relationship to overall personnel management;
- provide instructions on how to develop critical elements and performance standards;
- ensure that critical elements are linked to organizational goals and objectives;
- provide training or orientation on the performance appraisal system;
- coordinate and submit required reports;
- participate in the development and implementation of a monitoring and evaluation program of the system;
- provide documentation on rating distributions and awards on an annual basis;

- provide rating and approving officials with appropriate advice when employee performance fails to meet performance expectations;
- enter ratings of record into the automated employee record (or database); and
- provide technical assistance to supervisors and managers in taking appropriate performance-based actions under 5 CFR 432 or 5 CFR 752, consulting with the Office of the General Counsel, as appropriate.

Chapter 5. Timetable of Performance Management Activities Annual Performance Cycles

Employees covered by this system are appraised annually under one of the following appraisal periods: October 1 through September 30, June 1 through May 31 (for Office of Inspector General only), or November 1 through October 31 (National Oceanic and Atmospheric Administration/Wage Marine only).

Minimum Appraisal Period

The minimum performance appraisal period is 120 days.

A minimum appraisal period is normally determined using calendar days, except when an adjustment to the minimum appraisal is needed due to an employee who is in a nonpay status for part of the appraisal cycle (e.g., leave without pay, intermittent work schedules, re-employed annuitants). In these cases, workdays are used.

New Plans

Performance plans for all employees must be established and approved within 60 days of the beginning of the appraisal cycle. When an employee enters a position or changes positions after the start of the annual appraisal cycle, a plan must be established and approved within 60 days of the effective date of the appointment to the new position.

- When an employee is detailed or temporarily promoted to a position within the Department and is expected to serve in the position for 120 days or longer, an approved performance plan must be established and approved within 60 days from the beginning of a detail or temporary promotion.

Progress Reviews

At least one progress review, or midterm appraisal, must be completed for each employee during each appraisal cycle. For the typical employee who is in a position on the first day of the appraisal cycle, this progress review should take place at or near the midpoint of the cycle. Both employees and supervisors may request additional progress reviews throughout the appraisal cycle as necessary.

Final Appraisals

Summary ratings/ratings of record must be completed within 30 days of the end of the annual appraisal period, except:

- New employees, who are unratable at the end of the appraisal period because they have not served in a position for at least the minimum appraisal period (120 days) of the operating unit, must be rated within 30 days after they have served for the minimum appraisal period;
- Schedule A employees of the U.S. Census Bureau must receive their ratings within 60 days of the end of the appraisal period; and
- Employees who on the last day of the appraisal period have begun, but have not completed, an opportunity period to improve performance to an acceptable level will have their ratings deferred until the completion of the opportunity period.

There is no minimum required period that a supervisor must be in place before completing an employee's appraisal as long as that supervisor was in place on the last day of the rating cycle.

Departing Supervisors

When a rating official changes positions or leaves the Department prior to the last 120 days of the appraisal period, he or she should complete interim ratings for his or her employees (who served in their current position 120 days) before leaving the position and/or the Department. In many cases these interim ratings will become the final rating of record for employees who serve in several positions (for less than 120 days) throughout the remainder of the appraisal period.

When a rating official changes positions or leaves the Department with less than 120 days remaining in the appraisal period, he or she should complete a final summary rating for the employee, which will become the rating of record for the performance year. The time remaining in the appraisal period will be included in the rating for the following performance year.

Chapter 6. Performance Management Process

Introduction

The performance management process is used to communicate organizational strategic goals, reinforce individual employee accountability for meeting those goals, and track and evaluate individual and organizational performance results.

The performance management process involves:

- performance planning;
- monitoring employee performance;
- employee development;
- evaluating employee performance; and
- recognition

Note: At any point in the process, appropriate action should be taken to address performance deficiencies.

Performance Planning

Approximately four weeks before the start of the appraisal period, rating officials (supervisors) and employees should begin developing written performance plans for the next appraisal period. The process should involve both the supervisor and employee. Performance plans must be recorded on CD-430, Performance Management Record. Performance plans must be completed and signed by the rating official, approving official, and employee within 60 days of the beginning of the appraisal period.

Expectations of employee performance are established through the critical elements and standards contained in employee performance plans. Critical elements tell employees what they have to do and standards tell them how well they have to do it. Developing elements and standards that are understandable, measurable, attainable, and fair is vital to the effectiveness of the performance management process.

Critical Elements

A critical element is a work assignment, responsibility, or result to be achieved that is of such importance that unacceptable performance in that element would result in a determination that the employee's overall performance is Level 1 (Title 5 USC 4301(3)). The Department requires that each employee have at least three and no more than five critical elements in his or her performance plan. Noncritical elements are not permitted.

Critical elements must:

- be aligned with organizational goals and objectives;
- be the cornerstone of individual accountability in employee performance management;
- be a major component of work;
- describe work assignments and responsibilities that are within the employee's control to accomplish; and
- be weighted at no less than 15 percent.

Critical elements may not:

- describe a group's performance. However, it may be possible to hold a supervisor or manager individually accountable for his or her work unit's products or services by including a critical element and standard in his or her plan to assess the group's performance. This could only occur when the supervisor or manager has individual management control over the group's production and resources.

Weighting of Critical Elements

All critical elements within an employee's performance plan must be weighted in order to indicate the relative importance of each critical element within the employee's scope of responsibilities. These weights should not be assigned based on the percentage of time an employee spends working on that element. Rather, the weight for each element should reflect the significance of that task/program/project within the framework of the Department's or bureau's organizational goals.

The total weight for all critical elements must equal 100 percent with no element weighted less than 15 percent.

Example:

Critical Element	Description of Critical Element	Weight
1	Organizational Effectiveness	35 %
2	Customer Service	20 %
3	Professional Effectiveness	30 %
4	Special Projects	15 %
TOTAL		100 %

Required Critical Elements

All performance plans must include required critical elements: a Customer Service element for all employees and a Leadership element for all managers and supervisors. The information listed below is intended to be broad guidance on factors that should be considered when developing the required elements. It should be noted that each element should document specific activities (tailored to the employee's position) that can be measured against established standards.

Customer Service Element

The Customer Service critical element measures responsiveness to internal and external customers, stakeholders, and the public. The activities and qualities of this element include:

- responsiveness to customer objectives and needs to the extent permitted by law and regulation;
- being accessible and timely in dealing with customers;
- handling customer requests promptly and effectively;
- communicating with customers to identify needs and expectations; and
- demonstrating customer focus as a critical part of the organization's mission.

Leadership Element

The Leadership critical element must include the following duties and activities:

- management of plans and resources to accomplish the Agency's strategic goals and organizational objectives;
- effective communication of priorities, organizational goals, and strategic goals to staff;

- delivery of high quality services in compliance with laws, regulations, and policies;
- manage operations using measurable results and identified time frames;
- motivation of employees to achieve high performance through a positive workplace that fosters initiative and teamwork;
- effective management of employee performance and recognition including continuous feedback for performance, timely performance appraisals and awards, and resolution of performance deficiencies;
- providing employees with training and tools to do their jobs with available resources;
- coaching and developing employees to realize their full potential;
- effective personnel management of employee selections, promotions, and resolution of conduct issues and grievances;
- providing a safe work environment for all employees with an ongoing focus on safety and health issues; and
- active and visible support of equal opportunity and diversity principles in all aspects of program and human resources decisions and in compliance with merit system principles.

A manager's/supervisor's failure to meet the performance appraisal deadlines and responsibilities specified in this Handbook will be reflected in his or her own progress review(s) and final appraisal.

Difference Between Group/Team and Individual Employee Performance

In many organizations, employees (as part of a group or team) work together toward the achievement of organizational goals and objectives. The key to distinguishing between group performance and an individual's contribution to the group is that group performance is measured at an aggregate level, not for a single employee. An employee's contribution to the group is measured at the individual level.

Group/team performance, on a whole, cannot be used as a critical element. This does not preclude describing an individual's contribution to the group as a critical element.

Performance Standards

A performance standard is a statement of the expectations or requirements established by management for a critical element at each particular rating level. Performance standards should be attainable, objective, measurable, realistic, and clearly stated in writing. The Department requires the use of Generic Performance Standards. (See Appendix A)

Supplemental Performance Standards

A supplemental performance standard is used to define performance in terms of results (e.g. what is to be accomplished) and the process (e.g. how it is to be accomplished). Supplemental standards are expressed in terms of quality, quantity, timeliness, cost-effectiveness, or other relevant measures. The Department requires the use of supplemental performance standards for all performance plans.

Handling Performance Plan Disputes

If a rating official and employee disagree on the contents of the performance plan, the rating official and employee should attempt to resolve the disagreement informally. However, the approving official must make the final decision regarding the contents of the plan. If the employee refuses to sign the plan, the rating official should annotate the plan to indicate that it was discussed with the employee, the employee received a copy, and the employee refused to

sign. The employee's refusal to sign does not preclude the plan's implementation or the employee's obligation to perform under it.

The contents of the performance plan may not be grieved.

Chapter 7. Linking Performance Plans to Organizational Goals

Strategic management of human capital requires that performance management systems link individual, team, and work unit performance to organizational goals and desired results. This requirement is a key provision of the Department of Commerce's (DOC) performance management system, which requires that supervisors link individual employees' performance plans to organizational goals.

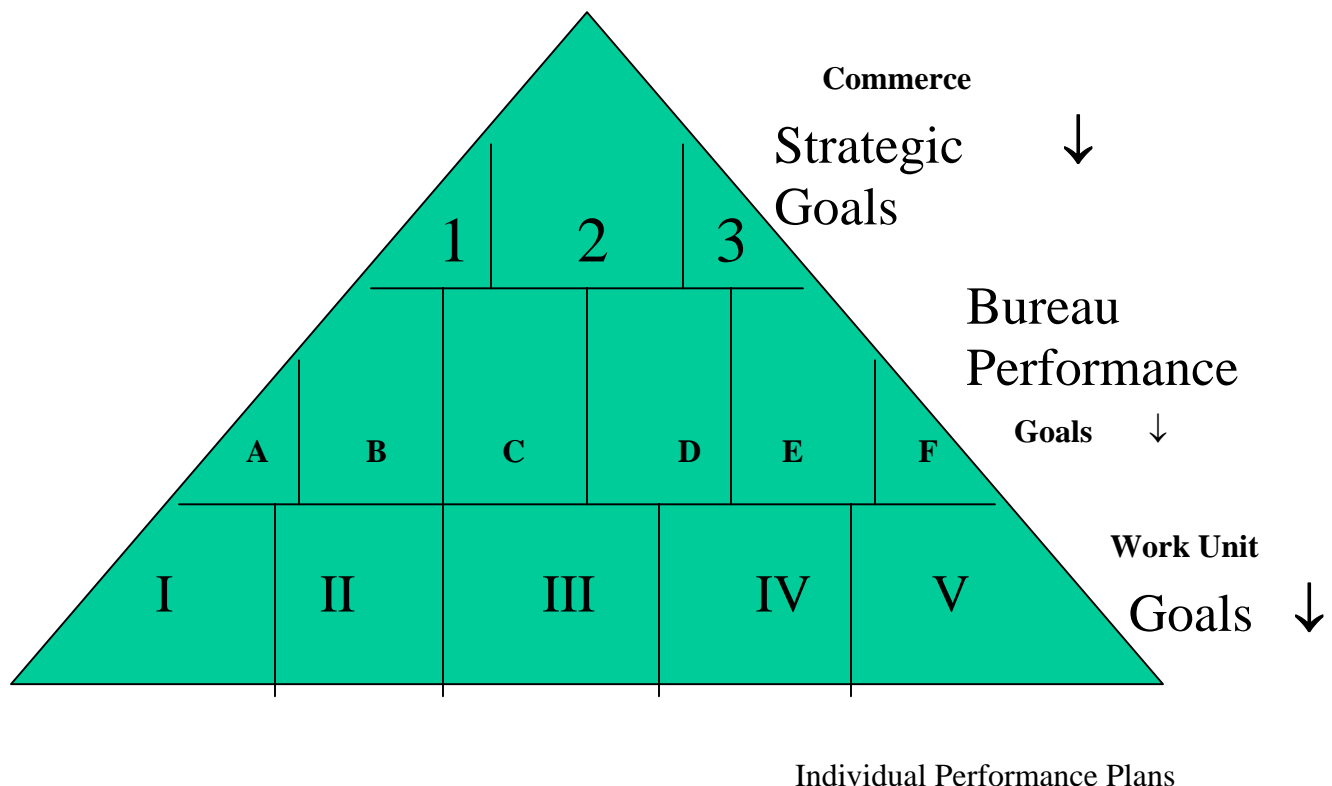
To ensure that employees' plans are properly linked to organizational goals, managers should start by reviewing and becoming familiar with the Department's strategic goals and objectives. They need to understand the "big picture." At a minimum, this requires that managers gather enough information to answer the following questions:

1. ***What are the strategic goals outlined in the Department of Commerce Strategic Plan?*** To achieve its mission, the Department identifies several strategic goals. Each of these goals is supported by objective, quantifiable, and measurable performance goals that cover all of its constituent bureaus, as required by the Government Performance and Results Act (GPRA) of 1993. Reviewing and understanding these strategic goals will provide managers the necessary framework within which to develop work unit goals and create individual performance plans. Each organizational unit of the Department ultimately supports one of the Department's strategic goals, and managers should be able to clearly identify the relationship of the work in their unit to one of the Department's strategic goals.
2. ***What are the specific performance goals established for your program area as outlined in the Department's annual performance plan?*** Goals in the Department's annual performance plan define what will be accomplished during a fiscal year. These goals describe the incremental progress toward achieving the general goals and objectives in the strategic plan. Performance plan goals are usually more specific and may be more output-oriented than the general goals found in the strategic plan. Since performance plan goals should be used by managers as they direct and oversee their programs, these are the goals to which employee performance plans should be linked.
3. ***What performance measures are already in place?*** Managers should be aware of the measurement systems (both internal and external) that can be accessed for information on performance, including measures for determining progress toward achieving GPRA goals and customer satisfaction surveys.

Once the above information is reviewed, managers should focus on identifying the accomplishments that the work unit must achieve. Accomplishments are the products or services resulting from work unit activities. The work unit consists of all of the employees directly supervised by the same first-line supervisor. When the work unit is identified, the supervisor can begin the process of cascading the Department's goals down to the work unit level. To do this, the following steps should be taken:

1. ***Review the specific goals and objectives identified in the Department's annual performance plan.*** These should have been identified in connection with the supervisor's review of the Department's strategic goals.
2. ***Identify which agency performance goal(s) the work unit can affect.*** Often, work units may perform work related to one Commerce goal, but in some situations, they may affect more than one broadly-stated goal.
3. ***Determine what product or service the work unit produces or provides to support the Department's accomplishment of its goals.*** Clearly tying work unit products and services to organizational goals is key to this process. If a work unit is performing services or generating products that do not affect organizational goals, this situation should be reviewed and analyzed. The analysis may result in eliminating the product or service.

When supervisors have completed the actions described above, they can develop performance plans for individual employees by cascading Commerce goals down to their work unit goals, and ultimately, into individual performance plans that describe individual performance expectations that are aligned with Commerce goals as well as work unit goals. This concept is illustrated below.



Following the steps laid out above, managers can establish a clear linkage between the goals of their work units and the strategic goals of the Department. Once the unit's goals have been identified, the manager can proceed to develop individual performance plans with specific requirements and measures that focus on individual accomplishments linked to the goals of the organization.

Example #1 of Cascading Goals to a Work Unit

DOC Strategic Goal 1:

Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers.



International Trade Administration (ITA) goal:

Advance U.S. competitiveness in the global marketplace.



Manufacturing and Services program unit goal:

Support U.S. industry's global competitiveness through critical analysis of domestic regulations, legislation, and trade policy.



Deputy Assistant Secretary for Industry Analysis sub-unit goal:

Reduce the impact of proposed and existing policies and regulations on U.S. industry through analysis of regulations and other proposed policies.

Example #2 of Cascading Goals to a Work Unit

DOC Management Integration Goal:

Achieve organizational management excellence.



International Trade Administration Goal

Chief Financial Officer and Director of Administration Goal:

Achieve organizational and management excellence.



Office of Human Resources Management Goal:

Develop programs to enable effective service delivery.

Developing Performance Requirements and Measures

Performance Requirements

Once critical elements have been identified, managers should focus on specific performance requirements. This is done by analyzing the critical elements and identifying specific tasks or functions that contribute to successful performance in a critical element.

Measures

Once the performance element and requirements have been established, supervisors should develop **individual performance measures** for each critical element. Measures are the criteria used to determine how well employees perform in producing the products or services. Measures should be tied to organizational goals and should be expressed in terms of milestones, metrics, or outcomes. Good performance measures are “SMART.” That is, they are:

- Specific,
- Measurable,
- Agreed-Upon,
- Realistic, and
- Time-Framed.

General measures should be written in terms of quantity, quality, timeliness, or cost-effectiveness.

QUALITY addresses how well the employee performed the work and/or the accuracy or effectiveness of the final product. Quality refers to accuracy, appearance, usefulness, and/or effectiveness. Quality measures can include error rates (such as the number of percentage of errors allowable per unit of work) and customer satisfaction rates (determined through a customer survey).

TIMELINESS addresses how quickly, when, or by what date the employees or work unit produced the work.

COST-EFFECTIVENESS addresses dollar savings or cost control. You should develop measures that address cost-effectiveness on specific resource levels (money, personnel, or time) that you can generally document and measure in agency annual fiscal year budgets. Cost-effectiveness measures may include such aspects of performance as maintaining or reducing unit costs, reducing the time it takes to produce or provide a product or service, or reducing waste.

SPECIFIC MEASURES

To develop specific measures, you first must determine the general measure(s) that are important for each element (i.e. quantity, quality, timeliness, and/or cost-effectiveness). Then, determine how to measure the quantity, quality, timeliness, and/or cost-effectiveness of the work covered by each element. If you can measure an accomplishment with numbers, record the form of

measurement. If you can only describe performance (i.e., observe and verify), clarify who will appraise the performance and the factors they will appraise. The kinds of questions you should ask in this process include the following.

FIRST: For each element, decide which general measures apply:

- Is quality important? Does the stakeholder or customer care how well the work is done?
- Is quantity important? Does the stakeholder or customer care how many products are produced?
- Is it important to accomplish certain tasks by a certain time or date?
- Is it important to accomplish the element within a certain time or date?
- What measures are already available?

SECOND: For each general measure, ask:

- How could quality, timeliness, and/or cost-effectiveness be measured?
- Is there some number or percent that could be tracked?

If the element does not lend itself to being measured with numbers and can only be described, ask:

- Who could judge that the element was done well?
- What factors would they look for?

FINALLY: Write down or otherwise record the specific measures. If the measure is numeric, list the units that you will track. If the measure is descriptive, identify the judge and list the factors that the judge will look for to observe and verify performance.

In summary, the following steps should be followed to develop individual performance plans that are aligned with organizational goals:

- Review strategic goals;
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- Review annual performance plan goals;
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- Identify critical elements;
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- Identify performance requirements; and
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- Develop performance measures.

For additional information, please refer to the Department's Strategic Plan and the Department's Annual Performance Plan.

Reference: OPM's Handbook for Measuring Employee Performance, September 2001

Chapter 8. Monitoring Employee Performance

In an effective organization, assignments and projects are monitored continually. Monitoring well means consistently measuring performance and providing ongoing feedback to employees and work groups on their progress toward reaching their goals.

Progress Review

At a minimum, rating officials must conduct one formal progress review with each of their employees at approximately the midpoint of the appraisal period. Employees may also request (or supervisors may schedule) additional progress reviews. At the bureau's discretion, additional progress reviews may be required.

Employee Responsibilities

Prior to the progress review meeting with his or her rating official, the employee is strongly encouraged to submit written documentation of his or her accomplishments since the last formal performance meeting with his or her rating official.

Discussion

At each progress review, the following occurs:

- A discussion about the employee's progress toward meeting elements included in his or her performance plan and how that progress is measured against the achievement of the organizational goals;
- the identification of any performance deficiencies and recommendations on how to improve;
- a review of the plan to determine the need for changes in the plan based on changes in responsibilities;
- a discussion of the developmental/training goals or objectives; and
- the rating official documents any changes to the original performance plan, signs and dates the revision, and provide a copy of the revised plan to the employee.

Both the supervisor and employee should date and initial the performance plan to indicate the progress review took place.

A progress review must also be initiated by the rating official if an employee's performance on one or more critical elements falls below Level 3. A Level 1 rating requires a written Performance Improvement Plan (PIP). While a Level 2 rating does not require a PIP, it is recommended that the rating official develop a written plan to assist the employee in improving performance to Level 3. In such a case, the rating official must discuss the instances of deficient performance and outline in writing what is required of the employee to bring his or her performance to Level 3. Rating officials should consult with their servicing human resources office to determine if this review should serve as the beginning of the formal opportunity period to improve performance required by 5 U.S.C. 4302(b)(6).

Employee Development

In an effective organization, employee developmental needs are evaluated and addressed. Developing in this instance means increasing the capacity to perform through training, giving assignments that introduce new skills or higher levels of responsibility, improving work processes, or other methods. Providing employees with training and developmental opportunities encourages good performance, strengthens job-related skills and competencies, and helps employees keep up with changes in the workplace, such as the introduction of new technology.

Carrying out the processes of performance management provides an excellent opportunity to identify developmental needs. During planning and monitoring of work, deficiencies in performance become evident and can be addressed. Areas for improving good performance also stand out, and action can be taken to help successful employees improve even further.

Chapter 9. Evaluating Employee Performance

Approximately 30 days before the end of the performance appraisal cycle, rating officials and employees should begin to prepare for the appraisal process. Rating officials will ask employees to submit written documentation of accomplishments. An employee who is ratable as of the end of the rating cycle (September 30, October 31, or May 31) must receive an annual performance summary rating.

An employee is ratable if:

- he or she occupies a covered position on the last day of the performance cycle; and
- he or she worked at least 120 days in one or more covered positions during the appraisal cycle.

An employee is unratable if one of the following applies:

- the employee did not work at least 120 days in one or more covered positions during the rating cycle; or
- the employee has been placed on a Performance Improvement Plan (PIP) because the rating official has determined that the employee's performance at Level 1 on one or more critical elements. A PIP is only developed when an employee's performance is at Level 1.

If an employee is unratable because he or she was on a PIP, the rating period will be extended for the duration of the PIP and the employee will be rated upon completion of the PIP.

Performance appraisal discussions are conducted in two stages. The rating official is required to conduct a 1) pre-appraisal meeting only if the employee requests one and 2) performance appraisal meeting with each employee.

Pre-appraisal Meeting

The purpose of the pre-appraisal meeting is to provide the employee an opportunity to meet with the rating official prior to the formal appraisal meeting. At the pre-appraisal meeting the employee may:

- present an assessment of his or her performance achieved during the appraisal cycle;
- inform the rating official of aspects of his or her work of which the rating official may not be aware; and
- identify objectives he or she would like to include in the performance plan for the next appraisal period.

During the pre-appraisal meeting, the rating official clarifies his or her understanding of the employee's performance, and discusses the employee's accomplishments. The rating official may not discuss overall scores, ratings, or awards.

Performance Appraisal Meeting

A rating official must confer with the approving official about the organization's performance and gain approval of (including the approving official's signature on CD-430, Performance Management Record) the rating they recommend for their employees before discussing those ratings with employees. Following approval of the performance summary ratings by the approving official, the rating official is responsible for conducting a performance appraisal meeting to present the final rating to the employee.

If an employee receives Level 1 on any critical element rating in his or her position of record, or in an interim rating that becomes a final rating of record, the employee's summary rating must be Level 1.

As provided in Executive Order 5396, the performance appraisal and resulting rating of a disabled veteran may not be lowered because the veteran has been absent from work to seek medical treatment.

Signatures

The employee signs and dates the summary rating to indicate that it has been discussed. If the employee refuses to sign, the rating official should note this in the employee signature block of the summary rating.

Signature by the approving official places both the performance plan and summary rating in effect. A copy of the summary rating must be given to the employee.

Written Documentation Requirements

Rating officials must provide either an overall narrative justification of the summary rating or a written justification for each element rating. They must do one or the other, and may do both. A written justification is required for any element rated below Level 3.

Ratings of Record

The following summary performance ratings constitute a rating of record:

- the annual performance appraisal rating as discussed above;
- an interim rating given by a departing supervisor or to a departing employee when no opportunity to serve the minimum appraisal period (120 days) in the current cycle remains; or

- a rating rendered following completion of a PIP.

Summary Rating Derivation

To derive a final, or summary, performance rating at the end of the appraisal cycle, each critical element must be assessed against the generic (and any supplemental) performance standards established at the beginning of the cycle or as modified and documented during a progress review. Each element is evaluated and translated into a score using the following scale:

Level 5 (the highest level of performance)	= 5 points
Level 4	= 4 points
Level 3	= 3 points
Level 2	= 2 points
Level 1 (unacceptable performance)	= 1 point

After each critical element has been rated, multiply the score for each element by the weight assigned to it. No fractional scores or weights may be used.

Example:

Critical Element 1 is 30% of plan	Rated at Level 4	30 x 4 = 120 points
Critical Element 2 is 30% of plan	Rated at Level 3	30 x 3 = 90 points
Critical Element 3 is 20% of plan	Rated at Level 5	20 x 5 = 100 points
Critical Element 4 is 20% of plan	Rated at Level 4	20 x 4 = 80 points
TOTAL		390 points

Total the individual scores to determine the overall score. In the example above, the sum of 120 + 90 + 100 + 80 = 390.

Using the ranges below, determine what range the overall score (example 390) falls within.

Overall Score	Summary Rating
470 – 500 points	Level 5
380 – 469 points	Level 4
290 – 379 points	Level 3
200 --289 points	Level 2
100 – 199 points	Level 1

This becomes the employee's summary rating for that performance appraisal cycle. In the example cited, the final summary rating would be a Level 4 since the score of 390 falls within the range for Level 4.

Note: If one critical element is rated Level 1, the summary rating must be Level 1.

Unratable Employees

If an employee has served for the entire rating cycle on detail to another agency, on an approved federally-sponsored program or long-term training, and an appraisal of performance cannot be obtained despite reasonable efforts, the employee must be considered unratable.

Other unratable situations may include:

- the employee's supervisor leaving the Agency when no other supervisor or acting supervisor can reasonably appraise the employee's performance; or
- approved absences creditable under 5 CFR 531.406 (LWOP, Military Service, etc.).

Reconsideration

An employee may request reconsideration of his or her rating. Such reconsideration requests must be processed under the appropriate negotiated grievance procedures or under the Department's administrative grievance procedure, whichever is applicable.

Oversight

The Department does not prescribe a distribution of ratings and does not permit a distribution to be prescribed. The Department assures that only employees whose performance exceeds normal expectations are rated at the level above Level 3, by sampling plans and ratings by servicing human resources offices, by Departmental oversight reviews, and by other reviews required by regulation.

Chapter 10. Interim Ratings

Overview

Interim ratings are prepared during the course of a rating period when an employee has spent the minimum appraisal period (120 days) in a covered position and then changes to another position. This may happen more than once during the rating period. These ratings must be completed within 30 days of the change of position and are prepared in the same manner as a summary rating. In fact, the interim rating may become a summary rating when an employee changes positions toward the end of the rating period (i.e., where the time remaining in the appraisal cycle is less than 120 days).

When an Interim Rating Should be Completed:

- after a detail which lasts at least 120 days;
- after a temporary promotion/assignment which lasts at least 120 days;
- when an employee changes positions after serving at least 120 days;
- when a supervisor leaves his or her position and an employee has been in a covered position for 120 days;
- when an employee transfers from the Department to another federal agency after serving in a position for at least 120 days; or
- after an assignment in a federally-sponsored program, such as an Intergovernmental Personnel Act (IPA) assignment.

Benefits of Interim Ratings:

- to provide input from a departing supervisor to assist a new supervisor who is preparing a final rating of record;
- to provide a final rating of record to an employee who changes positions during the last 120 days of the rating period;
- to provide a final rating of record to an employee who moves more than once during the rating period or is on a detail; and
- to provide appropriate performance credit for work performed on a detail or temporary promotion/assignment.

Consideration of Interim Ratings When Completing Final Appraisals

An interim rating that was completed for an employee for service in another position should be considered when you prepare the final summary rating for the position of record.

Ratings at Different Levels: When an interim rating(s) and the rating for the current position are different, the current rating official must prepare a written narrative that explains/justifies the assignment of the summary rating level.

- When an employee receives an interim rating of Level 1 without further action and then receives a Level 3 or above on a rating for another position in the same performance period, the summary rating is not reduced by the interim rating; instead, the summary rating is assigned in accordance with this Handbook based solely on the individual critical element ratings for the current position.
- When an employee receives an interim rating of Level 3 or above and then receives a rating of Level 1 for another position in the same performance period, the summary rating is not raised by the interim rating. Instead, the

summary rating is assigned in accordance with this Handbook and based on the individual element for the current position.

- When an employee has received an interim rating that is less than Level 3, but the rating for service in the current position is Level 3 or higher, the final rating cannot be less than Level 3.
- When an employee changes positions toward the end of the rating period (*i.e.*, where the time remaining in the appraisal cycle is less than the minimum appraisal period), the interim rating prepared becomes the rating of record for that appraisal period. The time remaining in the rating cycle is added on to the next rating cycle.

Transfers from Other Federal Agencies

- If an employee has served in a position for more than the minimum appraisal period in another federal agency, that agency should provide an interim summary rating and forward it to the Department's employing office with the employee's Official Personnel Folder.
- If the employee transfers to the Department toward the end of the rating period (*i.e.*, where the time remaining in the appraisal cycle is less than the minimum appraisal period), the employee's interim rating (prepared when he or she transferred) will become his or her rating of record for the appraisal period.
- If no interim rating can be obtained from the employee's former agency, the employee's last rating of record becomes his or her current rating of record. If no rating can be obtained, then the employee will be considered unratable.

Chapter 11. Relationship of Performance Appraisal to Other Personnel Actions

Introduction

Performance appraisal results may be used as a basis for making personnel decisions on training, rewarding, reassigning, promoting, reducing in grade, retaining and removing employees, and granting within-grade increases.

Performance Awards

Performance awards, when granted, must be based on an employee's performance rating of record for the appraisal period for which the award is granted. This does not preclude management from giving other recognition whenever warranted in accordance with the criteria specified in this Handbook.

Quality Step Increase

A quality step increase (QSI) may be granted only to an employee who receives a Level 5 summary performance rating.

Within-Grade Increase (WGI)

- **Federal Wage System.** An employee who is otherwise eligible receives a within-grade increase if his or her performance is Level 3 or above, as provided in 5 U.S.C. 5343; i.e. the employee's most recent rating of record is Level 3 or higher.
- **General Schedule.** An employee who is otherwise eligible receives a within-grade increase when his or her performance is at Level 3 (acceptable level of competence). This means that during the period of time since that rating the employee has continued to perform his or her responsibilities in a manner warranting an increase in basic pay. -

Impact of Ratings of Record on Within-Grade Increase Determination

Rating examples for purposes of WGI determination:

- an employee with less than a Level 3 rating at the end of the appraisal cycle has improved performance up to or higher than a Level 3 by the within-grade due date. *Outcome: The improvement is documented in accordance with the cycle for review provided in the denial notification and the WGI is granted.*
- an employee with a Level 3 or higher rating at the end of the appraisal cycle whose performance has dropped below the Level 3 by the within-grade due date. *Outcome: After a performance review with employee documenting deficiencies, WGI is denied.*
- an employee does not have a rating of record as recent as the completion of the latest appraisal cycle. *Outcome: WGI granted.*
- an employee whose performance improves to a Level 3 or higher following the delay of a within-grade increase determination as provided by 5 CFR 531.409(c). *Outcome: WGI granted.*
- a rating given after the minimum appraisal period when an employee is unratable at the end of the appraisal cycle. *Outcome: WGI granted.*

Promotion Actions

- **Competitive Promotions.** Selecting officials may give consideration to the performance appraisals of job applicants in making selection decisions under the Merit Assignment Program.
- **Career Ladder Promotions.** To receive a career ladder promotion, an employee's most recent performance rating of record must be Level 3 or higher.

Probationary Periods (See DAO 202-315, Probationary and Trial Periods)

- **Initial Appointments.** Supervisors of probationary employees serving initial appointments must determine if the probationers' performance warrants retention in the

position beyond the probationary period. Supervisors must evaluate probationers' performance with reference to the critical elements and standards of the position.

- **Initial Appointments to Supervisory/Managerial Positions.** An evaluation of Level 3 or higher on all critical elements of the performance plan is required for retention in the supervisory position beyond the probationary period.

Actions Based on Level 1 (Unacceptable) Performance

Employees whose performance is Level 1 (unacceptable) may be reassigned, changed to a lower grade, or removed, only after they have been provided with a performance improvement period.

Chapter 12. Deficient Performance

The purpose of this Chapter is to provide basic information on performance appraisal as it relates to deficient performance. Contact your servicing human resources office for assistance and specific guidance on deficient performance.

Level 1 (Unacceptable Performance)

If at any time during the performance cycle an employee's performance becomes Level 1 (unacceptable) in one or more critical elements, document the specific performance deficiencies on the performance plan and afford the employee an opportunity to demonstrate acceptable performance. This is done in the form of a Performance Improvement Plan (PIP).

Performance-based actions cannot be taken for Level 1 work performed on a detail.

Supervisors/managers should consult with their servicing human resources office for specific guidance prior to the issuance of a PIP.

What the PIP Should Contain

Description of the critical element in which performance is deficient and specific instances of Level 1 (unacceptable) performance:

- what the employee must do in order to demonstrate acceptable performance;
- representative sample of performance deficiencies;
- time allowed for the opportunity to improve period;
- suggestions for improving performance;
- offer of assistance to the employee to improve performance including training, if applicable; and
- statement of the possible consequences of failure to raise performance to an acceptable level during the opportunity period.

The servicing human resources office will provide ongoing guidance and technical assistance to the supervisor/manager throughout the duration of the PIP, including any subsequent performance-based actions.

Chapter 13. Reduction-in-Force

The purpose of this Chapter is to provide basic information on reduction-in-force as it relates to performance management. Contact your servicing human resources office for assistance and specific guidance on this subject.

Ratings of Record

For reduction-in-force (RIF) purposes, ratings of record include those given at the end of the:

- appraisal period;
- minimum appraisal period; or
- opportunity period to demonstrate acceptable performance (if an improved rating is given).

In a RIF, an employee will receive service credit based on an average of the employee's three most recent ratings of record received during the four-year period (See Note below) prior to the date of the issuance of a specific RIF notice (or an officially designated performance credit cut-off date).

Service credit is computed as follows:

- Level 5 - 20 years
- Level 4 - 16 years
- Level 3 - 12 years
- Level 2 - 0 years
- Level 1 - 0 years

An employee who does not have a rating of record will be assigned a modal rating. A modal rating is the summary rating level assigned most frequently among the actual ratings of record given that are:

- assigned under the same summary pattern that applies to the employee's position of record on the date of the reduction-in-force;
- given within the same competitive area or, at the agency's option, within a larger subdivision of the agency or agency-wide; and
- on record for the most recently completed appraisal period prior to the date of issuance of reduction-in-force notices, or the cut-off date the agency specifies prior to the issuance of reduction-in-force notices after which no new ratings will be put on record.

NOTE: Employees formerly covered under a 2-level system will receive service credit as follows:

- Meets or Exceeds Expectations – 12 years
- Does Not Meet Expectations – 0 years

Chapter 14. Recordkeeping

The recordkeeping requirements for creating and maintaining the Employee Performance File (EPF) are listed below:

- Performance appraisals and related documents (*i.e.* probationary certification, WGI determination) will be maintained in accordance with provisions of the Privacy Act, Freedom of Information Act, other legislative and regulatory requirements, and negotiated agreements.
- Performance ratings of record and the performance plans on which those ratings were based must be retained for 4 years. The Employee Performance File is maintained by the servicing human resources office. This authority may be redelegated to the rating official.
- Performance records that are superseded, e.g., through an administrative or judicial procedure, must be destroyed in accordance with the administrative/judicial order or settlement agreement.
- Records may be retained longer than 4 years only for the purpose of statistical analysis. The data may not be used in any action affecting the employee when the manual record has been or should have been destroyed.
- When an employee transfers from one operating unit into another within the Department, or to another federal agency, the following performance records must be transferred with the employee's EPF: (1) performance ratings of record that are 4 years old or less; (2) the plan on which the most recent rating of record is based; and (3) the interim rating (if required by operating unit program) prepared when the employee changes positions.
- Appraisals of Level 1 (unacceptable) performance, where a notice of proposed demotion or removal is issued but not effected, must be destroyed after the employee has completed 1 year of acceptable performance following notice of the proposed removal or reduction in grade.
- Disclosure of performance-related information must be made available only as permitted by the Privacy Act: to the employee, employee's representative (with a signed release statement), or other officials of the organization who need documents in performance of their duties, or a duly credentialed official investigator (e.g. Equal Employment Opportunity Commission, Human Resources, Office of General Counsel).
- Records kept in automated systems are subject to the same requirements as outlined above.

APPENDIX A. [Generic Performance Standards](#) (click on link)

APPENDIX B. Feedback

Overview

Feedback is an integral component of the performance management process. Feedback is a means of helping an employee understand how he or she is performing against the critical elements and performance standards in the performance plan.

There are two types of feedback in performance management:

- *Informal* feedback may happen in a variety of settings, (*e.g.*, hallway, telephone, office, e-mail, etc.) and should be given as soon as possible to the actual situation in order to have the maximum benefit.
- *Formal* feedback typically happens at the time of a progress review or appraisal, or at any time during the performance appraisal period that the employee's performance becomes less than acceptable.

Feedback

For feedback to be effective, it needs to be helpful and given in a manner that allows an employee to understand if his or her performance is having the intended effect. All types of feedback should be constructive:

- For example, some feedback helps an employee understand that what he or she is doing is working well. The more specific the feedback, the more likely the employee will understand and be able to replicate the desired performance.
- Other feedback helps an employee understand that what he or she is doing is not working well. The more specific the feedback, the more likely the employee will understand and be able to improve performance.

How to Give Constructive Feedback

The most beneficial feedback has the following components:

- identifies specifics, such as the where and when of the action/situation;
- provides a statement regarding the impact of the action on others, or the accomplishment of work under the performance plan; and
- provides specific suggestions for improvement, if applicable.

Helpful Hints in Giving Feedback

You can maximize the benefits of feedback by:

- giving feedback in a private setting;
- maintaining a neutral tone;
- not labeling or categorizing the action (*e.g.*, incomplete staff work or "poor product");
- not labeling or categorizing the employee (*e.g.*, failure, poor performer);
- avoiding generalizations such as "You always do X" or "You never do Y";
- narrowing the scope of the feedback (*e.g.*, do not overload the employee with a mountain of comments, also called "dumping");
- providing the specific performance expectations and examples of not meeting the expectations;
- allowing the employee to react and give his/her perception(s) on the issue; and
- not engaging in "diagnostic" approaches or supposing to know the employee's poor performance.

Soliciting Relevant Feedback

You need to let the stakeholders (*e.g.*, internal and external clients) know what you are working on so that they can provide constructive feedback. When soliciting feedback, you need to pay close attention to the section on "How to Give Constructive Feedback." For example, you asked a stakeholder for feedback on a specific project and his or her response was, "It was fine." This response does not provide you with any specifics nor is it very helpful. In these situations, you want to go back to the stakeholder and ask for specific details on what an employee did and the impact of his or her work.

Sources of Feedback

Rating officials are responsible for, wherever possible, obtaining and using feedback from the employee (self-assessment), internal and external customers, team leaders and members, co-workers, and others, as appropriate, to assess employee performance.

APPENDIX C. Performance Management Training

The Benefits

Training in the concepts and practical use of performance management is important to supervisors, managers, and employees because it:

- provides an understanding of a system which impacts them on a daily basis;
- equips them with tools and skills to be more effective in their respective performance management responsibilities;
- enhances constructive performance communication between management and employees throughout the organization; and
- outlines requirements which, if followed, may increase productivity, improve morale and also, reduce grievances, appeals, and unfair labor practices.

Frequency

Managers and employees are encouraged to take training in performance management periodically to keep abreast of changes in Departmental policy, performance management approaches, and operating unit programs. Operating Units (i.e., bureaus) should provide performance management training for employees to increase their understanding of the process, management's authority, and the roles and responsibilities of all individuals in the process. At a minimum, the training must include the important aspects of DAO 202-430.

Where to Get Training

There are a variety of sources for training in performance management:

- servicing human resources offices;
- agency-sponsored workshops;
- educational providers (e.g., USDA Graduate School, community colleges, correspondence schools);
- other training materials (e.g., video tapes, computer-based instruction, etc.); and
- Learning Management System.

Recognition

Overview

In the Department, there are three types of recognition -- cash, nonmonetary, and honor awards. Each type of award has its own specific criteria and documentation requirements.

Cash Awards

Cash awards (one-time, lump-sum payments) may be granted to individuals or groups for various reasons such as performance or superior accomplishments (special acts, suggestions, or inventions). Cash awards offer employees and supervisors an array of recognition possibilities that are flexible enough to recognize and reward differences in individual performance.

However, sound judgment is essential. Mistakes that result in undeserving employees receiving recognition, or deserving employees going unrecognized, will undermine both management's credibility as well as the credibility of the program. Cash awards have their own unique technical requirements. In granting a cash award, supervisors must ensure that the award is based solely on merit and that the award amount is proportionate to the level of the contribution to the organizational unit to ensure that awards granted are viewed as reasonable and justified.

Normally, cash awards are paid by the operating unit(s) benefiting from the contribution. When an award is paid to an employee in another operating unit or another federal agency, arrangements must be made to reimburse the employing operating unit or agency. Refer to 5 CFR 451.104(d) and 5 U.S.C. 4502(d) regarding the administrative costs outweighing award amounts to determine the method of reimbursement.

NonMonetary Awards

Nonmonetary awards are more varied and unique than cash awards and offer two major advantages over cash awards -- they help meet employees' needs for recognition, growth, and responsibility, and most can be relatively inexpensive. In the Department, nonmonetary awards range from small merchandise awards to certificates of appreciation. The technical requirements are equally varied, ranging from awards with no documentation (certificates of appreciation) to awards requiring management's signature (external awards) before being submitted to the Department.

Honor Awards

Since 1949, the Department has granted honor awards in the form of Gold, Silver, and Bronze Medals. The Gold and Silver Medals are the highest and second highest honor granted by the Secretary for distinguished and exceptional performance. The Bronze Medal is granted by the head of an operating unit or Secretarial Officer for superior performance. Honor Awards are granted in seven categories: Leadership, Personal and Professional Service, Scientific/Engineering Achievement, Organizational Development, Customer Service, Administrative/Technical Support, or Heroism.

Chapter 1. General Incentive Award Provisions

Introduction

The Recognition section of the Performance Management Handbook prescribes Department of Commerce policies, procedures, and requirements for awards based on performance, one-time special achievements, and other superior accomplishments, which improve Government operations and services.

Scope

The Incentive Awards section of the Performance Management Handbook applies to all awards that the Department grants or for which the Department offers nominations, except those unique to the Senior Executive Service, Senior Foreign Service and NOAA Corps members.

Related Award Documents

Other documents which describe systems or programs related to the incentive awards program are:

5 U.S.C. Chapter 45, Government Employees Incentive Awards Act

5 CFR 451, Awards

5 CFR 531, Pay Under the General Schedule

U.S.C. Chapter 53, Pay Under the General Schedule

DAO 202-920, Executive Personnel and Policy Manual

DAO 202-452, Incentive Awards for Federal Inventors

DAO 202-453, Awards for the Disclosure of Fraud, Waste or Mismanagement

Foreign Service Act of 1980, as amended, Applicable Provisions for Foreign Service Employees

Foreign Affairs Manual, Vol. 3, Awards for Foreign Service Americans and Foreign Service Local Hires

Foreign Service Personnel Management Manual, Subchapter 500-3, Precepts of the Foreign Service Selection Boards

33 U.S.C. 853R, NOAA Corps: Personnel Board

NDM 56-68.05, NOAA Corps Uniform Regulations (Awards)

B-233607 (10/26/89), Comptroller General Decisions (payment of travel expenses to 55 CG-800 (1976) attend honor awards ceremonies)

65 CG-738 (1986), Comptroller General Decisions (payment for refreshments for awards ceremonies)

Confidentiality of Nominations

Documentation in support of recommendations for recognition is confidential information and is available only to those involved in the awards decision process and other officials on a need-to-know basis.

As a general rule, recommendations are not to be discussed with nominees or with anyone not involved in the decision process until the award has been approved within the Department, or in the case of external award nominations, until the nominee has been selected by the Department as its nominee.

When nominations for external awards require personal information (*e.g.*, date of birth, home address, professional affiliations, employment history), operating units must obtain permission from the nominee(s) before submitting the information to the Department.

Former Employees

Awards may be granted to former employees or to their legal heirs or estates if the contribution recognized by the award was made during their employment with the Department.

Nongrievable Action

The granting of, or failure to, grant an employee an award is not grievable.

Award Concurrences

An award nomination for an employee outside the nominator's office, division, or operating unit must be concurred with by the appropriate management official in the employee's supervisory chain of command.

Promotional Items as Awards

Overview

Managers have often asked about the propriety of purchasing special merchandise items to use as rewards for employees. Often this inquiry is presented within the context of promoting a particular program, such as giving tokens (*i.e.*, tee shirts) as "thank you's", or providing morale boosters to promote an "esprit de corps" among employees.

What is Allowed

Managers can use existing merchandise award programs (*i.e.*, On-the-Spot Awards) to reward employees for special accomplishments. Appropriated and/or reimbursable funds may only be used to purchase merchandise for employees within an approved award program.

What You Cannot Do

Managers may not independently create their own award programs in which they give merchandise items outside of an approved award program. Legally, such programs are prohibited since the award items are viewed as "personal gifts" and as such, are not allowed under the provisions of this Handbook.

This guidance is not related to the authority agencies may have to purchase legitimate promotional materials for which specific funding has been allocated for marketing and outreach activities.

Up-Front Incentives

The Federal Government typically uses recognition programs (*i.e.*, recognizes something you have already done). However, the definition of an award (5 CFR 451.102) permits agencies to use incentives ("if you do what we asked we will give you an award") to motivate employees. Existing award programs should be used as the incentive. These programs include: Special Acts, Cash-in-Your-Account, Time-Off, or On-the-Spot Awards.

Operating units must make a determination that an "up-front incentive" is an appropriate means to motivate employees to accomplish a specific project or task.

A written signed agreement is required between the employee and the granting official that clearly:

- identifies the incentive to be granted upon successful completion of the project or assignment;
- sets clear and specific goals, milestones, and measures (*i.e.*, attendance at meetings staying within budget, meeting deadlines, etc.);
- defines the level of participation for each member of the group and how that relates to the incentive; and
- communicates the agreement in writing to all participants.

Inter- and Intra-Agency Transfer

As a general principle, it is wise for a supervisor who plans on giving an award to an employee who is in the process of moving to another agency, other than the DOC bureau or going into another pay system, to know in advance if the receiving agency can and will process the award. The current supervisor should carefully coordinate with the receiving agency supervisor to ensure that the:

- employee remains eligible for the award;
- receiving agency has a mechanism for processing the award;
- awards do not conflict with a receiving agency's policies or processing timetable; and
- receiving agency has sufficient funds, and is willing to expend them, to cover the award amount.

Recordkeeping

Effective January 1, 1999, the SF-50 documenting awards may not be filed on the right side of the Official Personnel Folder (OPF). However, QSIs and MSIs must be filed on the right side. The SF-50 and other documentation (*i.e.*, award justification and other reference material) may be filed on the left (temporary) side of the OPF or in the Employee Performance File (EPF). Each operating unit may determine its internal processing procedures regarding filing award documentation.

Incentive Awards Program records must be kept for 3 years in a manner, which facilitates efficient reviews, audits, and evaluations of the program, and in accordance with privacy act regulations.

Exceptions

Within the limits of administrative discretion permitted to the Department, the Director for Human Resources Management may grant exceptions to the provisions of this Handbook from time to time in unusual cases whenever the facts indicate that such an exception will promote the objectives of the Incentive Awards Program. Each request for an exception must be submitted in writing through the head of the operating unit or appropriate Program Secretarial Officer or equivalent and must contain a full justification for the request.

Effect on Other Orders

This Recognition Section of this Handbook supersedes DAO 202-450 (Establishment of Awards and Service Certificates), dated September 9, 1975; DAO 202-451 (Incentive Awards Program), dated November 3, 1978, as amended; and DAO 202-451, dated August 16, 1990, as amended. This Handbook also supersedes all operating unit or regional directives prescribing policy for the Incentive Awards Program.

Chapter 2. Roles and Responsibilities

Supervisors and Managers

Supervisors and managers have the major responsibility for assuring the effective use of incentive awards and preserving the program's credibility. Effective use means:

- encouraging better performance and employee ideas for improvement;
- rewarding superior achievements promptly;
- being fair and objective in granting awards; and
- publicizing what awards are granted to whom and why.

Chief Financial Officer and Assistant Secretary for Administration

The Chief Financial Officer and Assistant Secretary for Administration is responsible for Department-wide administration of the Incentive Awards program.

Director for Human Resources Management

The Director for Human Resources Management is responsible for giving central direction and coordinating the Incentive Awards Program. Specifically, the Director is responsible for:

- developing and promulgating the Department's policies and procedures;
- serving as permanent Chairperson of the Department's Incentive Awards;
- obtaining required higher level concurrence and approval of major awards that require Departmental action;
- approving the purpose, form, criteria, selection method, and manner of presentation of all Special Recognition programs. (including changes made in the basic parameters of existing special awards programs);
- evaluating program results, as part of overall evaluation or oversight reviews to assure incentives are granted equitably on the basis of merit and performance and providing feedback to managers, supervisors, and employees; and
- designating a Departmental Incentive Awards Officer to serve as technical advisor to operating units on incentive awards matters and to serve as Executive Secretary to the Department's Incentive Awards Board; and
- transmitting the following for approval through the Secretary of Commerce to the Office of Personnel Management:
 - award recommendations over \$10,000, and
 - recommendations for Presidential awards.

Principal Human Resources Managers

The Principal Human Resources Managers are responsible for planning, coordinating, and administering the Incentive Awards Program for their respective operating unit(s).

Servicing Human Resources Managers

The Servicing Human Resources Managers coordinates procedural, processing, and other requirements with operating units in the serviced population.

Department's Incentive Awards Board (DIAB)

The Department's Incentive Awards board consists of 10 members. Board members are appointed by the Chief Financial Officer and Assistant Secretary for Administration, and are normally at the Deputy Assistant Secretary level or equivalent. The Board acts as an advisory

body on incentive awards policies and procedures, when requested, and considers specific actions at the request of the Secretary.

The Board reviews and recommends actions to the Secretary, or appropriate approving authority, on award nominations in the following categories:

- Gold and Silver Medal Awards;
- Presidential recognition;
- awards sponsored by outside organizations; and
- any other award requiring Departmental approval.

Chapter 3. Delegations of Authority

Agency Officials

The following officials of the Department are delegated the authorities described in the delegations section below:

General Counsel

Under Secretary for Oceans and Atmosphere (Administrator)

Under Secretary for Economic Affairs

Under Secretary for International Trade

Under Secretary for Technology

Under Secretary for Industry and Security

Assistant Secretary for Communications and Information

Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office

Inspector General

Assistant Secretary for Economic Development

Director, National Institute of Standards and Technology

Director, Bureau of the Census

Director, Minority Business Development Agency

Delegated Authorities

The following authorities are delegated:

- to grant Bronze Medal Awards;
- to recommend the establishment of and grant special operating unit awards in accordance with provisions of this Order;
- to recommend individuals or groups for cash awards over \$10,000 for superior accomplishments;
- to recommend individuals for cash awards based on a performance rating which exceeds \$10,000; and
- to recommend individuals, organizations, or groups to the Secretary for Presidential, Departmental, and external awards.

Redelegated Authorities

The following authorities may be redelegated. Redelegations of authority must be made in writing with notification to the Servicing Human Resources Office:

- to grant cash awards to individuals or groups for superior accomplishments in amounts not to exceed \$10,000;
- to grant cash awards to individuals based on a performance rating in amounts not to exceed \$10,000;
- to grant Quality Step Increases to General Schedule employees;
- to grant length-of-service recognition to employees for completion of 10 years of service and for subsequent 5-year intervals;
- to grant nonmonetary awards; and
- to grant Time Off awards.

Authority for NonSES Awards in Excess of \$5,000

NonSES monetary awards in excess of \$5,000 must be reviewed by bureau Performance Review Boards (PRBs) in the same manner as proposed SES performance bonuses and pay level adjustments. This will ensure that the narrative justifications for both SES and nonSES award

proposals are reviewed in the context of relative contribution to the organization's mission and strategic objectives accomplishments.

The PRB recommendations regarding nonSES awards in excess of \$5,000 will be provided to the appropriate Under Secretary, or equivalent official, who will make final decisions and certify in writing the merit of those approved. This certification authority may be redelegated to the Deputy Under Secretary or equivalent. The appropriate HR Offices must retain copies of these certifications for record purposes.

Awards in excess of \$10,000 for individuals and individuals as members of a group require approval by the Office of Personnel Management.

The following groups of employees under Demonstration Programs or Alternative Personnel Management System (APMS) are exempt from the \$5,000 rule, since awards in excess of that amount are permitted under their project plan:

Technology Administration

Office of the Under Secretary

Office of Technology Policy

National Institute of Standards and Technology (APMS)

Economics and Statistics Administration

Bureau of Economic Analysis

National Telecommunications and Information Administration

Institute for Telecommunications Sciences

National Oceanic and Atmospheric Administration (Parts of the following line offices)

Office of Oceanic and Atmospheric Research

National Environmental Satellite, Data, and Information Service

National Marine Fisheries Service

Office of Chief Financial Officer and Assistant Secretary for Administration

Office of Human Resources Management

Office of the Secretary

Office of Financial Management

Office of Administrative Services

Office of Management and Organization

Chapter 4. Performance Awards

Introduction

The Department's Performance Recognition System is two-tiered. It includes: 1) the use of an annual performance award to take into account an employee's contributions to the accomplishment of organizational goals and objectives; and 2) the use of other awards available for managers to recognize specific achievements at any time during the performance cycle. This balanced approach will ensure that the awards and recognition system provides managers a comprehensive set of tools to build a new performance culture at the Department.

Definition

A performance award is a performance-based cash payment to an employee based on the employee's rating of record for the current appraisal period. The award may not exceed 20 percent of the employee's annual rate of basic pay. A performance award does not increase base pay.

Eligibility

- To qualify for a performance award, an employee must occupy a position, which is covered by the General Workforce Performance Appraisal System, on the last day of the annual appraisal cycle for which performance awards are being granted.
- When an employee changes positions within the last 120 days of the appraisal period, the employee may receive an award based on his or her interim rating (which becomes the rating of record at the end of the appraisal period) for the position held immediately before the change in position. For example, if the employee changes positions three months before the end of the appraisal period, the award is based on the nine months of the appraisal period preceding the change in position.

Determining Performance Award Amounts

Performance awards are linked directly to the summary rating score on the employee's rating of record and are calculated as a percentage of base pay (including locality payment). When determining the appropriate performance award amount, supervisors and managers should consider an employee's contributions to the achievement of the organization's mission and goals.

Qualifying Summary Rating Ranges	Rating	Award Ranges (Percent of Base Pay Including Locality Payments)
470 - 500 points	Level 5	up to 10 percent
380 – 469 points	Level 4	up to 6 percent
290 - 379 points	Level 3	up to 3 percent

Approval

Each operating unit must specify the delegations of authority for approval of performance awards in accordance with the overall awards delegations.

Timing

Approved performance awards must be submitted to the Servicing Human Resources Office within the time frames specified in the operating unit plan, but no later than within 90 days of the end of the appraisal cycle.

NOTE: See **APPENDIX A. Guidelines for Total Award Recognition** (Performance Awards and Special Acts)

Chapter 5. Quality Step Increases

Definition

A Quality Step Increase (QSI) is an increase in an employee's rate of basic pay from one step of his or her position to the next higher step of the grade. A QSI may be granted in addition to a regular within-grade increase. Before a QSI is granted, careful consideration should be given to the long-term impact on resources and appropriateness in light of other forms of recognition.

Eligibility

QSIs may be granted to General Schedule employees to recognize high-quality performance. A QSI requires, but is not automatically granted for, a Level 5 rating.

In addition, an employee must:

- not have received a QSI within 52 consecutive calendar weeks preceding the effective date of the increase;
- not be at the top step of his or her pay range;
- not be in the process of being promoted within 60 days after the effective date of the increase;
- have held the same grade and type of position (or similar position) in a pay status for at least six months before the end of the appraisal cycle;
- be expected to continue at the same high level of performance in the same grade and type of position for at least 60 days after the effective date of the increase; and
- not have been on detail or temporarily promoted to another position during the last six months of the appraisal period, unless detailed to the same grade and type of position.

Impact of a QSI on the Recipient's Anniversary Date

The anniversary date is the date of the employee's next regularly scheduled Within-Grade Increase (WGI). A QSI affects the waiting period for the next WGI when the QSI moves the employee from steps 3 to 4 or from steps 6 to 7 in the General Schedule.

Approval

Each operating unit must specify the delegations of authority for approval of QSIs.

Timing

QSI recommendations must be submitted within 90 days following the end of the performance cycle. The final authority for approving QSI rests with the servicing human resources office. QSIs become effective on the first day of the first pay period on or after approval by the appropriate management official and received/certified for processing by the servicing human resources office. QSIs may not be retroactive except to correct an administrative error that occurred after the approval of the award.

Multiple QSIs

When an employee has received a QSI based on performance during the previous appraisal period and is being recommended for another QSI for the current appraisal period, the following apply:

- The employee must have demonstrated performance that is at a significantly higher level than the performance, which warranted the previous QSI.
- The servicing human resources manager must review the QSI and forward it to the head of the operating unit with a recommendation for approval or disapproval. The recommendation must address whether the current performance is at a significantly higher level than the performance, which warranted the previous QSI.
- The head of the operating unit must personally approve the QSI.
- If an employee receives more than two QSIs in a four-year period, the recommendation for each QSI beyond two must be submitted to the Director for Human Resources Management for approval.

Limitation

Except in unusual circumstances where an employee's performance is exceptionally outstanding or is a significant contribution to the agency mission or strategic goals, an employee may not receive a QSI and a performance award, both of which recognize the same performance during an appraisal period. The situations are considered so rare that a written request for approval must be sent to the Director for Human Resources Management. The combined value of the QSI and the performance award must not exceed the percent limitation in Appendix A, Guidelines for Total Award Recognition (Performance Awards and Special Acts)

Chapter 6. Superior Accomplishment Awards (Special Act, Suggestion, or Invention)

Introduction

A superior accomplishment award is a monetary or nonmonetary award for a contribution resulting in tangible benefits or savings or intangible benefits to the Government. There are three types of superior accomplishment awards: special act awards, suggestion awards, and invention awards. Suggestion awards are given through suggestion programs developed and implemented by individual operating units. Invention awards are covered in DAO 202-452.

Eligibility

To be eligible for a special act or service award, an employee must have a current rating of record of at least Level 3 or higher.

Group Awards

When a cash award is granted to a group for superior accomplishments, the following provisions apply:

- The accomplishments must have substantially exceeded normal expectations for the group as a whole;
- All employees to whom the accomplishment or contribution is creditable, including a supervisor, may share in the award;
- A cash award may be divided in equal shares or allotted to each member in proportion to his or her share of credit for the contribution;
- Separate justifications for each member of the group must be included with the overall description of the accomplishment if the members of the group receive different dollar amounts; and
- The total amount of a cash award to a group should be based solely on the value of tangible and intangible benefits accruing from the contribution; the total amount of the award may not exceed the amount that would be authorized if the contribution had been made by one individual; and exceptions should be justified in writing.

Scale of Tangible and Intangible Benefits

The award scales in Appendix C offer guidelines for determining awards based on tangible and intangible benefits to the Government.

Chapter 7. Special Recognition

Presidential Recognition

The President may grant a cash award for honorary recognition of an employee who:

- by his or her superior accomplishment, suggestion, invention, or other personal effort contributes to the efficiency, economy, or improvement of Government operations; or
- performs an exceptionally meritorious special act or service in the public interest in connection with or related to his or her official employment.

A Presidential Award, authorized under 5 U.S.C. 4504, may be in addition to an agency award.

Career Service Recognition

Career service recognition is granted to employees who complete 10 years of federal service, and thereafter at 5-year intervals up to 50 years of service. This policy was issued April 8, 1992, and is not retroactive for employees who reached their career milestone before that date.

Creditable service is determined by using the service computation date for leave purposes, which includes total civilian service and some honorable military service.

Retired uniformed service time may be combined with civilian service time for purposes of computing length of service. It is the responsibility of the employee to present the appropriate official documentation from prior Uniformed Service to the appropriate official overseeing this program.

The Department recognizes career service with a certificate and emblem:

- Bronze Certificate and Emblem (10 and 15 years);
- Silver Certificate and Emblem (20 and 25 years);
- Gold Certificate and Emblem (30, 35, 40, 45 and 50 years).

The Secretary signs 50-year certificates. In addition, operating units may request a letter from the President for career service, which exceeds 50 years.

Honorary Recognition - Private Citizens and Organizations

A certificate of appreciation may be granted in recognition of special services or other beneficial contributions to the Department. Examples of the types of actions or contributions appropriate for this award may include:

- exemplary service in an advisory capacity to the Department's programs or projects;
- direct assistance to the Department through actions or useful ideas which are beneficial in eliminating or minimizing problems or in actively contributing to mission accomplishment;
- assistance to the Government through the cooperative use of facilities, equipment, or staff; or
- courageous or heroic actions in support of a federal activity or mission.

Special Operating Unit Awards

Individual operating units may establish new award programs which are appropriate to their particular interests in recognizing certain groups of employees. There are a large variety of programs, ranging from recognition for scientific accomplishments to employee of the year. These award programs may be cash or honorary. Each program is designed to recognize a

particular group of individuals with specific criteria. If you have additional questions on how to develop an award program, contact that bureau's Human Resources Office.

Related Sites

- Appendix D - Template for developing an award program
- Chapter 14 - How to establish a certificate for an award program

Chapter 8. Team-based Recognition

Introduction

In highly productive organizations, individual employee contributions to the success of a project may often be made as part of a team. Teams are a way of organizing people to support interdependence and cooperation and require coordination among team members--often representing all levels of an organization. A team can be defined as two or more employees who coordinate their activities to accomplish a common goal.

As more organizations are using teams to accomplish work, management is faced with the challenge of developing mechanisms to acknowledge both the accomplishment of the team's efforts and the contributions of its individual members.

Within an operating unit's authority to recognize employees and pay cash awards based on predetermined criteria such as productivity standards, performance goals, measurement systems, and award formulas, the following are appropriate methods to acknowledge excellence in individual and team performance:

- gainsharing;
- goalsharing; and
- team recognition.

Gainsharing Awards

Gainsharing is an incentive award system for organizations that have operations that are monetarily quantifiable. It is based on measurable improvements, where the employer shares a percentage of the improvements with individual employees and/or a group of employees.

Improvements usually increase productivity, quality, and customer service.

Major components of gainsharing are:

- shared rewards;
- system to solicit and implement improvement ideas;
- continuous, measurable improvement systems;
- employee empowerment; and
- positive management practices.

Organizations that have used gainsharing find that it:

- improves communication within the organization;
- improves levels of mutual trust between leadership and operations employees;
- increases cooperation because the organization has a focus on productivity improvement;
- improves "team spirit";
- improves product quality; and
- improves customer service.

Current DOC Gainsharing Programs

There are several gainsharing programs currently in place within the Department. Please contact the appropriate servicing human resources office for additional information about these programs.

Goalsharing Awards

Goalsharing is a relatively new approach to incentive awards that can extend to virtually all groups of federal employees. It serves to unify all employees in the accomplishment of the organization and requires teamwork, pride in service, better communication and higher quality service. The events that trigger goalsharing awards are not limited to work that is measurable using production and cost formulas. Instead, awards are triggered by reaching a wide variety of

goals established for the group or the organization as a whole. Progress toward the goals must be measurable, but the measurements can include qualitative data such as information from customer surveys and project reviewers.

Some basic features:

- clearly stated objectives;
- performance measures and baseline;
- stretch goals;
- specified performance periods;
- employee involvement;
- agency commitment;
- quality evaluation;
- goalsharing formula;
- payout size and frequency; and
- award alternatives.

If goalsharing programs are to be successful, operating units should not pay out promised awards when goals are nearly--but not quite--reached. Proceeding to grant the awards can undermine the program's purpose. It is more effective for managers and employees to acknowledge and analyze the reasons for the shortfall and agree to new strategies to overcome the obstacles.

Comparison of Gainsharing and Goalsharing Award Programs

Listed below is a comparison of the major features of gainsharing and goalsharing programs.

GAINSHARING	GOALSHARING
Only operations that are monetarily quantifiable	All Government Operations
Bottom-up program	Fully participatory program
Driven by preset productivity formulas	Driven by group performance indicators
Emphasis on efficient operations	Emphasis on achieving organizational outcomes
Payout trigger: exceeding baseline from past work	Payout trigger: reaching "stretch goals" in future work
Usually cash awards paid periodically	Range of award options annually or at milestones
Customer service is usually held constant	Improvement of customer service is frequently a goal
Self-funding	Technically, not self-funding

Team Recognition

A team needs to know how its efforts and results will help the organization, and individuals on the team need to know what the team requires of them to reach the team's goal.

The following elements are critical to successfully developing and implementing team-based recognition programs:

- knowing existing organizational measures;
- developing specific team measures;
- linking team measures to organizational measures;
- making team and organizational measures understandable and known;
- clearly identifying individual and team roles;
- linking individual and team roles to team results and processes;
- developing team and individual performance measures and standards;
- making performance measures and standards known and understandable;
- incorporating performance measures and standards into performance plans;
- developing tracking systems to properly measure individual and team performance;
- frequently and consistently publishing team performance;
- frequently providing feedback on individual performance;
- ensuring prompt payout when goals are achieved; and
- celebrating the achievement.

Measuring Team Performance

The following chart provides an overview of individual and team level contributions, behaviors/processes, and results that will be useful in developing team-based recognition programs.

Team-Related Measures Matrix

Contribution	Behaviors/Process	Results*
Individual Level: An Employee's Contribution to the Team	The employee: cooperates with team members, communicates ideas during meetings, participates in the team's decision-making processes.	The number of significant ideas contributed by the employee, the rapid turnaround time for the individual's product, the quality and accuracy of data supplied to the team.
Team Level: The Team's Performance	The team: runs effective meetings, communicates well as a group, allows all opinions to be heard, comes to consensus on decisions.	Customer satisfaction with the team product, the number of cases the team completed, the cycle time for the team's entire work process.

(*) Awards are granted based on the results not the process.

For Additional Information

Contact your servicing human resources office.

Chapter 9. Peer Awards

Introduction

A peer recognition program is based on the premise that employees are often the first to notice the achievements of their peers. Awards based on peer nominations give the employees a vested interest in their awards programs and thus increase the incentives to work collectively for the objectives of the organizational unit. Peer awards also demonstrate that management trusts the employees to acknowledge those who are truly deserving of recognition.

Eligibility

Employee eligibility for peer awards is determined by the nature of the award being granted.

Program Development

Because official peer recognition programs are fairly new, organizations have some degree of latitude in the creation of such award programs. Other federal agencies, such as the Federal Highway Administration, initiated the Red Tool Box Award to be used for peer acknowledgment. A large red tool box is filled with items of nominal value (mugs, caps, etc.), and these prizes are distributed by both managers and peers to recognize achievements that are not substantial enough for cash or time-off awards.

Factors to consider in developing a peer award program include the following:

- *nature of recognition*: How will recipients be awarded?
- *nominator eligibility*: Can managers be nominators or should they be limited to non-supervisory employees? Can employees nominate themselves?
- *nomination criteria*: What achievements can be considered to merit a peer award?
- *frequency of awards*: How often should awards be distributed: yearly, quarterly, etc.?
- *selection process*: How will potential awardees be nominated; how will recipients be chosen (office-wide voting, managerial approval, etc.)?
- *limitation*: How many times may an employee be nominated and/or receive an award within a specific time period?

Chapter 10. Honor Awards

Purpose

The purpose of honor awards is to provide high-level recognition to deserving employees for their contributions to the Department.

Criteria

There are three types of Honor Award Medals:

- *Gold Medal* - The highest honorary award granted by the Secretary. A Gold Medal is defined as distinguished performance characterized by extraordinary, notable, or prestigious contributions that impact the mission of the Department and/or one or more operating units, which reflects favorably on the Department.
- *Silver Medal* - The second highest honorary award granted by the Secretary. A Silver Medal is defined as exceptional performance characterized by noteworthy or superlative contributions, which have a direct and lasting impact within the Department.
- *Bronze Medal* - The highest honorary award granted by a head of an operating unit or Secretarial Officer or equivalent. A Bronze Medal is defined as superior performance characterized by outstanding or significant contributions, which have increased the efficiency and effectiveness of the operating unit.

Categories

To warrant a Gold, Silver, or Bronze Medal, a contribution must focus on qualitative and quantitative performance measures cited in the Department's Strategic Plan and be identified in one of the following categories:

- Leadership
- Personal and Professional Excellence
- Scientific/Engineering Achievement
- Organizational Development
- Customer Service
- Administrative/Technical Support
- Heroism.

For a detailed explanation of the categories, see Appendix G, Honor Awards Criteria.

Types of Awards and Recognition

See Appendix H, Honor Awards - Types of Awards and Recognition

Program Requirements

- Nominating officials are responsible for ensuring that only those individuals and organizations which have made exceptional contributions and which are truly deserving of high honor are nominated.
- When deciding which individuals are to be recognized, nominating officials should carefully consider the overall record of each person.
- Gold and Silver Medals are ordinarily given only to employees whose performance is at Level 4 or better. If a nominee does not have a current performance rating of Level 5 or Level 4 (or its equivalent), specific reasons must be provided in the justification for why the award is recommended. This includes employees who are nominated as members of a group.
- Secretarial Officers and Heads of Operating Units are responsible for ensuring that nominations reflect the broad spectrum of employees in their workforce. All employees are to be given equal consideration, based on their contributions, to be nominated in any

of the seven categories. Neither an individual's discipline, occupation, nor grade are to be used to screen out potential nominees in this process. Bureau nominations that do not reflect this spectrum will be returned for reconsideration.

- An employee may be nominated in more than one group, but may not be nominated as both an individual and as an individual member of a group.
- An employee who received a Bronze Medal may not be nominated for a Gold or Silver Medal for the same accomplishment. However, an employee who has received a special operating unit award may be nominated for a Gold or Silver Medal.

Gold and Silver Medals

Nominating Process

- The Secretary requests nominations for Gold and Silver Medal Awards annually. Appropriate management officials then request nominations from within their organizations.
- Incentive Awards Program Officers review nominations for adherence to award criteria and coordinate action with boards or committees, if appropriate. Nominations are then reviewed and approved by the head of the operating unit. Secretarial Officer nominations of employees from other operating units must include the concurrence of that operating unit head. Approved nominations must be submitted through the Secretarial Officer (or equivalent) to the Director for Human Resources Management and be ranked in priority order for the entire organization. Gold and Silver Medal nominations must be ranked separately; nominations for organizational awards should be ranked among nominations for individuals or groups.
- Nominations must be received by the Department's Office of Human Resources Management by the due date established each year.

Submission Requirements

- Nominations must be submitted using the web-based Honor Awards Nomination System (HANS). No paper copies will be accepted. For additional details on HANS, see [Appendix E](#), HANS Overview.
- Each nomination must describe clearly, in nontechnical language, the contribution to be recognized, its impact on the operating unit or Departmental mission, or strategic objective, and the degree to which the contribution exceeds normal job responsibilities. The justification should specify which of the seven criteria in Appendix G the contribution meets.
- Each operating unit must verify internally that there is no information that would negatively affect the nominations.

Review Procedures

- The Department's Incentive Awards Board (DIAB) reviews Gold and Silver Medal Award nominations and recommends approval or disapproval to the Secretary. In addition to reviewing the accomplishments, the Board will determine that each nominee has demonstrated qualities of strength, leadership, integrity, industry, and personal conduct of a level that has established and maintained a high degree of public confidence and trust. The DIAB may recommend the approval or disapproval of each member of a group award nomination.

Award Presentation

- Awards are presented by the Secretary at a Departmental Honor Awards Ceremony.

Bronze Medals**Nominating Process**

- Operating units are encouraged to request nominations for Bronze Medal Awards at the same time Gold and Silver Medal Award, nominations are requested.
- Any employee who has a current performance rating of less than Level 3 (or its equivalent) may not be nominated for a Bronze Medal Award.
- An employee who received a Bronze Medal Award may not be nominated for a Gold or Silver Medal Award for the same accomplishment.

Submission Requirements

- The Incentive Awards Program Officers must provide specific submission requirements to the organizations they service when nominations are requested.

Review Procedures

- Operating units should design appropriate procedures for review and recommendation of Bronze Medal nominations.

Award Presentation

- awards are presented by the appropriate Secretarial Officer or Head of the Operating Unit (or equivalent) at an annual ceremony scheduled by the operating unit. Operating unit Bronze Medal Awards ceremonies must be held following the Secretary's annual Honor Awards ceremony to ensure that nominees not approved for Gold or Silver Medals have the opportunity to be fully considered for Bronze Medals.

Chapter 11. On-The-Spot Awards

Purpose

The purpose of this award is to provide supervisors with a means of recognizing employees for those day-to-day efforts which contribute "in a special way" to getting the job done. This nonmonetary award program provides for immediate recognition with minimal documentation and serves as a means of giving employees recognition for nonrecurring contributions.

Overview

On-the-Spot Awards are granted by supervisors to recognize accomplishments which represent steps toward achievement of organizational goals or purposes, but for which higher level recognition such as honor awards, performance awards, or special act awards are not appropriate. Awards may be granted to employees for noteworthy contributions, which have benefited the employing office, the employee's bureau, or the Department.

Operating units may implement on-the-spot award programs, which meet their specific needs and are compatible with their organizational climate. This program is not meant to replace other traditional methods of recognition, but rather to increase supervisors' options in rewarding and reinforcing employee excellence.

Value of Award Item

The program must reward small contributions, which would not qualify for either performance awards or special act or service awards. The value of an individual award item may not exceed \$75, and an employee may not receive awards under this program, which exceed \$125 in value in a single *performance year*. For example, if awards are valued at \$25, then the employee may receive only five awards during that performance year.

Departmental Requirement

The program must be described in a document, signed by the Head of the Operating Unit or Departmental Office, and contain at least the information prescribed in "How to Establish an On-the-Spot Award Program."

How to Establish an On-The-Spot Award Program

To establish an On-the-Spot Award Program, prepare a program plan, which addresses the following:

- the purpose of the program;
- who is eligible to participate in the program (SES are excluded);
- the delegations of authority under the program, including supervisory authorities;
- the award items that will be given out under the program, including the dollar values;
- what types of contributions are eligible for recognition under the program? Examples include, but are not limited to:
 - planning a special event which is particularly successful,
 - completion of a short-term project, or
 - handling an unusually heavy workload.
- the frequency and timing of awards (The presentation of the award to the employee must be made shortly after the contribution);
- the plans for procuring, distributing, and controlling access to supplies of award items;
- the procedures for publicizing the program to employees and supervisors;
- the procedures for documenting awards on form CD-326, "Recommendation for Recognition";
- the recordkeeping requirements.

Chapter 12. Cash-in-Your-Account Award Program

Purpose

The purpose of this award is to provide supervisors with a means of recognizing employees for going the extra mile in getting the job done. This small monetary award provides immediate recognition with minimal documentation and serves as a means of giving employees recognition for nonrecurring contributions.

Overview

Cash-in-Your-Account (CIYA) Awards recognize accomplishments representing steps toward achievement of organizational goals or purposes, but for which higher level recognition such as honor awards, performance awards, or special act awards are not appropriate. Awards may be granted for noteworthy contributions benefiting the individual's employing office, bureau or the Department. This program does not replace other traditional methods of recognition, but rather increases the supervisors' options in rewarding and reinforcing employee excellence.

Eligibility

All Commerce employees, except Presidential Appointees, Political Appointees and Senior Executive Service (or equivalent) employees are eligible for consideration for awards under this program.

Examples of Eligible Contributions

- completion of a short-term project or significant milestone in less time than expected or where there were unusual difficulties to overcome;
- development of new or revised procedures or other contributions toward improvement of office productivity;
- handling an unusually heavy workload, such as when coworkers are absent or when vacant positions are not filled immediately;
- completion of a significant special assignment that is outside normal job responsibilities;
- planning a special event that is particularly successful because of the employee's personal efforts;
- a contribution that improves public awareness and/or understanding of Department/Operating Unit programs.

Award Amounts

Under this program, an employee may receive instant awards in net amounts of \$50, \$100, \$150, \$200, \$250, \$300, \$350, \$400, \$450 or \$500. An employee, either as an individual or part of a group, may not receive awards under this program, which exceed a net total of \$1000 in a single calendar year. It is the responsibility of the supervisor to ensure that the \$1000 limit is not exceeded. (Cumulative amounts should be tracked by individual supervisors; however, they may be verified through the appropriate record system or the servicing human resources office).

Nomination and Approval Procedures

- The supervisor prepares a CD-326, Recommendation for Recognition, including a written recommendation describing the basis for the award and the net amount of the award.
- The supervisor prepares and signs Form CD-326, Recommendation for Recognition. The supervisor must include the total dollar amount of Cash-in-Your-Account Awards that the employee has received during the current calendar year. The current dollar amount being recommended is not included in that total.
- The supervisor submits an original CD-326 for each employee nominated to the servicing human resources office, for a technical review and verification of year-to-date total.

- Upon approval by the servicing human resources office, the award will be inputted into the National Finance Center (NFC) system for payment on or before the next payday.
- The servicing human resources office should notify the approving official by e-mail (when feasible) of the effective date of the award so that he or she can notify the employee in advance of the award being deposited in his or her account.

Taxes

- All awards granted under this program are subject to federal, state and local, and FICA (including Medicare) taxes. Awards are granted in net amounts. The NFC system then calculates and reports the gross amount of the award to include the required federal income and FICA tax withholdings on the employee's next Statement of Earnings and Leave. All awards will be included in gross annual wages on the employee's Form W-2, Wage and Tax Statement.
- Awards may be granted any time during the year, except during the last two pay periods (usually 25 and 26) of the year due to IRS tax provisions.

Taxes for Cash-in-Your-Account Awards given to Foreign Service Nationals should be worked out by the overseas servicing personnel office based on local compensation laws.

How to Establish a Cash-in-Your-Account Award Program

To establish a Cash-in-Your-Account Award Program, prepare a program plan which addresses the following:

- the purpose of the program;
- who is eligible to participate in the program;
- the delegations of authority under the program, including supervisory authorities;
- a description of how the servicing human resources office will exercise oversight of awards to ensure compliance with the technical requirements of the program;
- the procedures for documenting awards on Form CD-326, Recommendation for Recognition.

The program plan must be described in a document, approved by the head of the operating unit or Departmental Office, the Principal Human Resources Manager, and it must contain at least the information prescribed in "How to Establish a "Cash-in-Your-Account Award Program."

Chapter 13. Time Off Awards

Purpose

The Time Off Award Program implements the provisions of Section 201 of the Federal Employees Pay Comparability Act of 1990, which authorized agencies to grant employees time off in recognition of certain accomplishments or contributions. The authority is regulated by 5 CFR Part 451.

Overview

A Time Off Award means an excused absence granted to an employee without charge to leave or loss of pay. Scheduling of time off is subject to supervisory approval. Before utilizing the Time Off Award Program, managers should consider the full resource implications of the award, including:

- salary of employee, and
- impact on workload and customer service.

Eligibility

All employees of the Department are eligible for time off awards except:

- Presidential appointees;
- employees who do not have a regular, established tour of duty prescribed in advance, (*i.e.*, intermittent or WAE employees);
- employees paid on a fee basis;
- commissioned officers of the NOAA Corps;
- employees in the Senior Executive Service (SES and Senior Foreign Service (SFS) and
- employees whose current rating of record under one of the Department's performance appraisal systems is less than Level 3 (or its equivalent).

Examples of Eligible Contributions

Time Off Awards are intended to recognize the following types of accomplishments or contributions:

- making a high quality contribution involving a difficult or important project or assignment;
- displaying initiative and skill in completing an assignment or project before the deadline;
- using initiative and creativity in making improvements in products, activities, programs, or services; or
- ensuring the mission of the work unit is accomplished during a difficult period by successfully completing additional work or an additional project assignment while maintaining the employee's own workload.

Use of Time Off

Time off granted as an incentive award must be scheduled and taken within 1 year after the date the award is made (*i.e.*, the date of the SF-50 effecting the award, normally the first day of the first pay period following final approval of the award). If the time is not taken off within 1 year, it is lost and may not be restored. No other award or compensation may be substituted.

If an employee is incapacitated for duty during a period of time off as an incentive award, that period may be recorded as sick leave, and the time off scheduled for another time, within the 1 year limitation.

Processing of Time Off Awards

Time off awards must be recommended and approved in writing on Form CD-326, Recommendation for Recognition. Detailed instructions on processing the actions and record keeping are presented in Personnel/Payroll Processing note issuances.

The time off taken by the employee must be documented on the Time and Attendance Report as a "Time Off as an Incentive Award" and a copy of Form CD-326 must be attached to the Certified Time and Attendance Report as supporting documentation. Detailed instructions for timekeeping are in the Department's Time and Attendance Manual.

Limitations

For a full-time employee, the total amount of time granted as an incentive award during a leave year may not exceed 80 hours. For a part-time employee or an employee with an uncommon tour of duty, the total time off granted, during a leave year as an incentive award may not exceed the average number of hours of work in the employee's biweekly scheduled tour of duty.

Time off granted as an incentive award, for any single contribution by a full-time employee, may not exceed 40 hours. For part-time employees or employees with an uncommon tour of duty, the limit for any single contribution is one-half the maximum that may be granted during the leave year.

The minimum time off award is a half day (half of the scheduled work hours for the employee on the day of the excused absence).

The amount of time off granted must be proportionate to the value of the contribution being recognized. Appendix C in this Handbook may be used as a guide to compare the value of the contribution to the value of the time off granted. Appendix C need not be rigorously followed, but serves as a broad benchmark for setting award amounts.

Time off awards may not be converted to cash nor transferred from Commerce to another agency, nor the reverse.

Delegation of Approval Authority

Authority to approve time off awards is hereby delegated to Secretarial Officers and Heads of Operating Units. This authority may be redelegated. Any redelegation of this authority must be documented in writing before the authority may be exercised.

Authority to grant up to a full day of time off as an incentive award may be delegated to any leave approving official of the Department. A full day is the length of the normal work day for the particular employee being recognized on the day that the time off is given.

Time off of more than 1 day must be reviewed and approved by an official at a higher organizational level than the manager or supervisor who initiated the award nomination.

Chapter 14. Certificates, Medals, Emblems and Forms

Introduction

The Department has standardized award certificates, medals, emblems and forms for a number of award and recognition programs. With the exception of the Gold and Silver Medals and Emblems and Certificates, the servicing human resources office is responsible for ordering and distributing other recognition items.

Honor Awards Certificates

- Gold and Silver Medal Awards certificates are granted by the Secretary and presented at the Annual Honor Awards Ceremony. Gold and Silver Medal Awards Certificates may not be duplicated or replicated.
- Bronze Medal Award Certificates are presented by a Secretarial Officer or equivalent at an appropriate ceremony. Bronze Medal Certificates may not be duplicated or replicated.

Certificates of Appreciation

- Certificates of Appreciation may be granted to both employees and non-employees in recognition of outstanding contributions or in appreciation of their services for the Department.
- Depending on the nature and significance of the contribution, the certificate may be signed by the Secretary, Secretarial Officer, Head of the Operating Unit, or other appropriate official.

Certificates of Recognition

- Certificates of Recognition are granted to employees who receive Performance Awards, Quality and Meritorious Step Increases, or Special Act Awards.
- They may also be granted to an employee who has received a Level 5 performance rating, if the employee did not receive a performance award.

Length of Service Certificates

- Length of Service Certificates are granted to employees to recognize milestones in career service.
- Certificates are typically presented to the employee by the supervisor or other appropriate official within the operating unit.
- The 50-year certificate is signed by the Secretary.

How to Establish a New Certificate

A new certificate may be established in conjunction with a special operating unit award program, or in rare circumstances, to recognize a unique, one-time event or accomplishment.

Content of Certificate

All certificates must include the following information:

- U.S. Department of Commerce,
- name of Bureau,
- seal of Department or Operating Unit, and
- signature line and/or Name/Title of Signature Authority.

Approval Procedures

- All requests must be forwarded through the appropriate Secretarial Officer, or equivalent, to the Director for Human Resources Management.
- The request must include a graphic representation of the certificate.
- The Office of Human Resources Management will consult with the Visual Design Branch on appropriateness of the certificate design and format.

Where to Order Certificates and Forms

The servicing human resources office may obtain certificates, and forms are available from the Department of Commerce Forms Store.

Certificate and Form Numbers

Certificates	Form Number	Package Amount
Certificate of Recognition	CD-184	100
Certificate of Appreciation (8 1/2 x 11)	CD-521	50
Certificate of Appreciation (11 X 14)	CD-522	50
Bronze Medal Certificate (Individual)	CD-523	50
Bronze Medal Certificate (Group)	CD-524	50
Length of Service Certificate (10 year)	CD-530	50
Length of Service Certificate (15 year)	CD-530A	50
Length of Service Certificate (20 year)	CD-531	50
Length of Service Certificate (25 year)	CD-531A	50
Length of Service Certificate (30 year)	CD-532	50
Length of Service Certificate (35 year)	CD-532A	50
Length of Service Certificate (40 year)	CD-533	25
Length of Service Certificate (45 year)	CD-533A	20
Length of Service Certificate (50 year)	CD-534	10
Form	Form Number	Package Amount
Recommendation for Recognition	CD-326	100

NOTE: Length of Service pins may be obtained from GSA.

Bronze Medals

It is the responsibility of the servicing human resources office to order Bronze Medals.

Vendor: Regal Emblem Company, Inc. 250 West Broadway New York, NY 10013 Contact: Mike Bottino Telephone: (212) 925-8833
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Chapter 15. External Awards

Introduction

Each year, the Department participates in award programs sponsored by external organizations, associations, or foundations. Awards run the gamut from those which recognize financial management to awards for women in science and engineering. Employees who meet the award programs' specific criteria may be nominated. Due dates vary by each award.

Note: Although some external organizations permit the submission of nominations on-line, bureaus are still required to submit nominations to the Department for review and approval by the Department's Incentive Awards Board before submission to the sponsoring organization. This is to ensure that the Department has an opportunity to conduct a clearance on all nominees to ensure that only high quality nominations, which reflect favorably on the Department, are forwarded to the sponsoring organization.

Nomination Process

Listed below are the steps in the external award process:

- The Department's Incentive Awards Officer forwards a request for nominations to the Principal and Servicing Human Resources Managers and Incentive Awards Program Officers with a due date.
- The Operating Units distribute the request for nominations to line and staff organizations with an internal due date.
- The Operating unit reviews the nomination for compliance with the external organization's submission requirements and forwards the nomination to the Secretarial Officer or Head of the Operating Unit for approval.
- The approved nomination is forwarded to the Secretarial Officer or Head of the Operating Unit for approval.
- The nomination is reviewed by the Department for compliance with the organization's submission requirements.
- The approved nomination is forwarded to the Department's Incentive Awards Board for review and recommendation.
- Nominations approved by the Board are forwarded to the sponsoring organization.
- Nominations must be signed by the Secretarial Officer or Head of the Operating Unit.

External Award Checklist

This checklist will assist you in the process of formulating quality nominations. This checklist must accompany the letter transmitting your nominations and be signed by the Incentive Awards Program Officer certifying the nomination's are complete and meet the criteria of the sponsoring organization.

Name of Award:

Transmittal Letter

- The letter is signed by the Head of the Operating Unit.
- The name of each nominee is listed, by category, if appropriate.

Nomination packages

- The package is assembled in the correct format, as specified by the sponsoring organization.
- The package includes ten copies for DOC review (and electronic copies) and correct number of copies specified by sponsoring organization.

Written Justification

- The written justification meets the sponsoring organization's criteria.
- The written justification was reviewed for grammar, punctuation, and spelling.
- An electronic copy of the nomination and all supporting documentation.

Social Security Numbers

- SSN listed for all nominees

Name of Nominee(s) SSN

I certify the nomination meets the criteria and has been reviewed for quality.

Incentive Awards Program Officer Date

Chapter 16. Awards for Foreign Service Employees

Introduction

Foreign service employees are eligible for awards covered in this Handbook, with the exception of Quality Step Increases (QSIs). Specific guidance on the establishment of awards programs for foreign service employees should be directed to the Office of Foreign Service Personnel Human Resources, U.S. and Foreign Commercial Service, International Trade Administration.

Eligibility

This chapter is applicable to American Foreign Service Officers and Administrative Assistants/Secretaries, and Foreign Service local employees of the Department of Commerce.

Meritorious Service Increase

A Meritorious Service Increase (MSI) is an increase in a foreign service employee's rate of basic pay from one step of the employee's class to the next higher step of the class. It is the foreign service equivalent of the QSI.

For foreign service officers and administrative assistants/secretaries, MSIs are granted based on recommendations of a selection board when performance during the past year is regarded as superior but not warranting promotion. Additionally, the employee's performance must have been sustained at a high level for a sufficient time that it is considered characteristic of the individual's performance and is, therefore, expected to continue in the future. MSI's are also considered when the foreign service employee is recommended for promotion but is ineligible. For foreign service local employees, MSI's are recommended by the supervisor for outstanding performance that is expected to continue into the future.

Chapter 17. Tax Implications for NonMonetary Awards

Introduction

Government-wide regulations on awards at 5 CFR 451 include a provision that requires agencies to comply with all applicable regulations when conducting its awards program. This requirement includes regulations that address the impact of the various tax laws on the Government Awards program, as prescribed by the Internal Revenue Service. The following is information on the impact of taxes on awards:

Tax Obligations

Cash awards and cash equivalents provided by the employer to the employee are always taxable regardless of the amount and are subject to federal, state, local, and FICA taxes. However, most nonmonetary awards used in the Government may not be considered taxable.

Taxing Nonmonetary Awards

A non-monetary award (*i.e.*, honorary award or informal recognition award) is considered to be a fringe benefit and can be tax exempt if it meets two conditions:

- when it is a *de minimis* fringe benefit, and
- when it meets the definition of "employee achievement awards" and does not exceed the employer's deduction limits.

Determining Whether a Non-monetary Award is *de minimis*

The Internal Revenue Code defines a *de minimis* fringe benefit as an item which, taking into account the frequency with which it is given, has a value so small that accounting for it is unreasonable or too administratively impracticable (26 CFR 1.132-6(a)). No specific dollar amount is defined as *de minimis* by the Internal Revenue Service. The determination as to whether honorary awards might be considered *de minimis* is based on the fair market value of the item given. "In general, fair market value is determined on the basis of all the facts and circumstances. Specifically the fair market value of a fringe benefit is the amount that an individual would have to pay for the particular fringe benefit in an arm's length transaction."

An example of informal recognition awards that could be considered to have a *de minimis* fair market value might be ballpoint pens, mugs, or desk clocks, with a team motto or Departmental logo that are given to employees for completing an assignment ahead of schedule or under budget. The fair market value of the item given to each employee is very small and administratively inefficient to report it as a part of the employee's gross income and wages.

Effect of Employee Choice

The element of choice plays a significant role in determining whether a non-monetary award can be considered to be a *de minimis* fringe benefit and tax exempt. The Internal Revenue Service considers giving an employee significant choice in what they actually get as an award (*i.e.*, gift certificate or catalog category), equivalent to giving them cash which is taxable and reported as gross income and wages. When there is a very limited choice among two or three items of nominal value in a particular award category, the award can normally be considered to be a *de minimis* fringe benefit and exempt from taxation.

Constructive Receipt

If an employee is given a choice between a cash award, time-off award, merchandise item, or Quality Step Increase (QSI) and the employee does not choose the cash, the employee is considered to be in constructive receipt of the cash and taxes must be withheld based on the cash award considered. Therefore, supervisors and managers generally should not attempt to give employees a choice. Any attempts supervisors and managers make to find out employee preferences, in order to carry out a more effective awards program, clearly should be made

separately from granting any actual awards and should not be accompanied by any stated or implied award amounts. In these cases, agencies can determine employee preferences without implying that an award will be given, much less offering the employee a *bona fide* choice between two forms of an actual award. For example, polling the staff on what types of awards they would determine as meaningful to them would not be considered constructive receipt of cash by any employee.

Tax Exclusions for "Employee Achievement Awards"

The second basis under which a nonmonetary award might be tax exempt is if it is defined as tangible personal property given as part of a meaningful presentation, and not as disguised compensation, in recognition of length of service or safety. These are not cash awards.

Withholding Income Tax and "Grossing Up"

When a nonmonetary award cannot meet the criteria for *de minimis* fringe benefit or an "employee achievement award," then the item must be reported as gross income and wages, and the applicable taxes withheld.

It is the agency's choice whether to "gross up" the employee's wages in order to cover the employee's taxes due (*i.e.*, income taxes and the employee's share of FICA taxes) on an award. "Grossing up" has been recommended to avoid diminishing the value of the award to the employee. Agencies with delegated authority should develop their own policy on whether to "gross up" taxable nonmonetary awards, and if so, whether for all awards or for those above specified amounts. If agencies decide to "gross up" nonmonetary awards, such expenditures would be authorized as part of the expenses incurred for the honorary recognition of the employee.

APPENDIX A. Guidelines for Total Award Recognition (Performance Awards and Special Acts)

Performance award amounts are limited to 10 percent of basic pay (including locality payments). However, an employee may receive a performance award amount up to the statutory limit of 20 percent (base pay including locality payments). Performance awards between 10 percent and 20 percent must be approved by the Secretarial Officer or Head of the Operating Unit. There is no percentage limit on performance-based awards (i.e., Special Act Awards) except an employee's total aggregate compensation, by the end of the tax year, may not exceed Executive Level 1.

APPENDIX B. Eligibility for Awards

Category of Employee	Performance Award	QSI/MSI	Special Act Suggestion Invention	Honor Awards Gold, Silver, Bronze	On-the-Spot Cash-in-Your Account	Time Off	Presidential Honorary	Presidential Rank	Certificate of Appreciation
Presidential Appointee (advice & consent of Senate)	No	No	No	No	No	No	Yes	No	Yes
Noncareer Senior Executive and Foreign (SES/SFS) Service	No	No	No	Yes	No	No	Yes	No	Yes
Career Senior Executive and Foreign Service (SES/SFS)	No ⁸	No	Yes ¹	Yes	No	No	Yes	Yes	Yes
Senior Level, AD (above GS-15) or Section 3104	Yes	Yes/No	Yes	Yes	No	No	Yes	No	Yes
General Schedule (incl. GM)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Foreign Service American	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Foreign Service local employees (direct hires)*	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Commissioned Corps, NOAA	Yes	No	Yes	Yes	Yes	No	Yes	No	Yes
Wage Grade, Leader or Supervisor	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes

Excepted Service	Yes	Yes ₂	Yes	Yes	Yes	Yes	Yes	No	Yes
Temporary	Yes	No	Yes	Yes ₃	Yes	Yes	Yes ⁴	No	Yes
Part-Time Permanent	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Schedule C	No	Yes ⁹	No	Yes	No	No	Yes	No	Yes
Term Employees	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Consultants	Yes	No	Yes	Yes	Yes	No	Yes	No	Yes
Contractors	No	No	No	No	No	No	No	No	Yes
Details	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes ₇	Yes
Reemployed Annuitants	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes ⁷	Yes
Former Employees	Yes	No	Yes	Yes	Yes	No	Yes	No	Yes
Volunteers	No	No	Yes ₅	No	No	No	Yes ⁶	No	Yes
Private Citizens	No	No	Yes ₅	No	No	No	Yes ⁶	No	Yes
Employees of Other Federal Agencies	No	No	Yes	No	No	No	Yes	No	Yes
Post Secondary Interns (AISES, HCAU, ORAU, TWC, Minority Access)	No	No	Yes ₅	No	No	No	Yes ⁶	No	Yes
Presidential Management Intern	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Truman Scholars	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Student Career Employee Program	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Student Temporary Employee Program	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes

1 - Requests require approval of Chief Financial Officer and Assistant Secretary for Administration

2- Unless appointment is limited (*e.g.*, not to exceed one year)

3 - Yes, if pending the establishment of a register

4 - Presidential Letters and Management Improvement Awards only

5 - Honorary only

6 - President's Citizen Medal of Honor only

7- Career SES employees only

8- Senior Foreign Service Officers are eligible for performance pay only

9 - Not eligible between June 1 of any year in which there is a Presidential election and January 20 of the following year.

(*) Foreign Service local employees covered under Personnel Service Agreements fall under the Post Awards Programs

APPENDIX C. Scale for Tangible and Intangible Benefits (Awards as a Percentage of Pay)

The amounts listed below apply to individuals and individual members of a group or team. However, if the total award amount for the entire group or team exceeds \$50,000, the award recommendation must be forwarded to the Director for Human Resources Management for concurrence. We need to be aware that high dollar awards may be subject to public scrutiny. Consequently, we need to balance the total award amounts against the need for recognition. While an employee is eligible to receive an award at the Distinguished and Extraordinary level, award amounts above \$5,000 (individuals and individual members of a group or team) must be reviewed by the operating unit's Performance Review Board as specified in Chapter 3, Delegations of Authority. Award amounts at those levels should be considered rare and should be reviewed in light of available resources. Most awards are appropriate for the Noteworthy and Significant levels.

Noteworthy	Significant	Distinguished	Extraordinary
\$50 - \$2,000	\$2,001 - \$4,500	\$4,501 - \$7,000	\$7,001 - \$10,000
4 - 8 hours	9 - 16 hours	17 - 32 hours	33 - 40 hours

Definitions

- Noteworthy - an accomplishment that has aided in meeting organizational goals; deserving of recognition because the employee has exceeded expectations for his or her position. *Impact: limited to an office or part of an organization.*
- Significant - an accomplishment that has substantially contributed to achieving organizational objectives or resulted in a marked change in organizational policies or procedures. *Impact: an organization or a bureau.*
- Distinguished - an accomplishment that effects a total change in policies or procedures that cross bureau lines and/or is exceptional in advancing multiple bureaus/Departmental objectives. *Impact: more than one bureau.*
- Extraordinary - a rare level of achievement characterized by the initiation of innovative policies or procedures and substantial promotion of Departmental or Administration goals. *Impact: Department-wide, Government-wide, or Partnerships with the Private Sector.*

APPENDIX D. Awards Template

Use of this format is recommended to ensure consistency or guidance and that all program elements are addressed and explained.

Purpose

Describe the objective/intention of the award.

The frequency of the award.

What type of contributions do you want to recognize?

Eligibility

Describe who is eligible to be nominated for this award (*e.g.*, managers, supervisors, employees of other federal agencies, private citizens, etc.).

Types of Accomplishments

Specify the type of accomplishment appropriate for this award.

Define accomplishments as either specific or broad descriptors.

Specify categories of awards (*i.e.*, supervisors/managers or nonsupervisory/technical), and list separate and distinct accomplishments for each category.

Nominating Procedures

Who will make the initial request for nominations? (*i.e.*, Director for Civil Rights)

What level of approval authority is required for this award? (*i.e.*, managers, Secretarial Officers, Heads of Operating Units, etc.)

Specify the due date for the nominations.

Specify the maximum length of the written justification.

Specify that the nomination needs to be submitted on form CD-326, Recommendation for Recognition.

Selection Criteria

Describe the qualitative and/or quantitative factors that will be considered in evaluating the accomplishment.

Selection Procedures

Describe who will review and approve the nominations.

- Specify whether there is an ad hoc or standing board or committee that will review the nominations.
- Determine who should receive the board or committee recommendations for final approval.

Type of Recognition

Describe what the recipient will receive as an award.

Specify the award amount.

Specify the type of certificate or plaque.

Define what differing categories of recognition will be received.

Presentation

Who will present the award?

When the award will be presented? (*i.e.*, in the fall of each year)

At what type of venue will the award be presented? (*i.e.*, ceremony)

APPENDIX E. Honor Awards Nomination System (HANS) Overview

The HANS is a centralized web-based system for entering, editing, reviewing, and approving award nominations. This system is designed to be very user-friendly, with all actions originating from a menu-driven HANS Main Menu. The system will prompt you every step of the way and provide detailed instructions, in the form of help boxes, on most blocks of the form.

Internet Address

Access HANS by entering the following address:

<http://hr.ohrm.doc.gov/hans/hanshome/hh.html>

Security

Nomination information that is transmitted over the Internet is encrypted to ensure privacy.

System Requirements

Browser - The system is designed to operate using Netscape Navigator or Microsoft's Internet Explorer at 4.0 or higher. If your current browser is less than 4.0, you may download an upgrade, at no cost, at: <http://www.microsoft.com/> or <http://www.netscape.com/>.

Screen Resolution - HANS was designed to work best with a screen resolution of 800 x 600. A resolution of less than that amount may affect the appearance of the image. You may adjust your resolution through the Control Panel feature in Windows.

About HANS

Click on the About HANS button from the HANS Main Menu to view the information.

APPENDIX F. Honor Awards - Crossover Nominations

Crossover nominations apply to groups or organizations where one bureau submits a nomination that includes an employee(s) from another bureau. Crossover nominations appear in a table format to the Official Reviewer and the Approving Official. The reviewer must recommend action on all crossover nominations since the nominating bureau cannot take action on the overall nomination until crossover employees have been approved. The reviewer's recommendation will be forwarded to the Secretarial Officer who must make the final decision on inclusion of these employees in a nomination by another bureau. *The bureau nominations will not be available for review until a recommendation is reached by both the official reviewer and the approving official on each crossover nomination.*

APPENDIX G. Honor Awards Criteria

Each operating unit must verify internally that there is no information that would negatively affect the nominations. The Offices of Inspector General, General Counsel, Security, Human Resources, and Civil Rights will advise the Department's Incentive Awards Board in determining that each nominee has demonstrated qualities of strength, leadership, integrity, industry, and personal conduct commensurate with the level expected of Gold or Silver Medal recipients. The Department's Incentive Awards Board will remove from consideration any nominee found not possessing these qualities.

Gold Medal

The highest honorary award granted by the Secretary. A Gold Medal is defined as distinguished performance characterized by extraordinary, notable, or prestigious contributions that impact the mission of the Department and/or one operating unit and which reflect favorably on the Department. To warrant a Gold Medal, a contribution must focus on qualitative and quantitative performance measures reflected in the Department's Strategic Plan and be identified in one of the following areas: leadership, personal and professional excellence, scientific/engineering achievement, organizational development, customer service, administrative/technical support, or heroism.

Silver Medal

The second highest honorary award granted by the Secretary. A Silver Medal is defined as exceptional performance characterized by noteworthy or superlative contributions, which have a direct and lasting impact within the Department. To warrant a Silver Medal, a contribution must focus on qualitative and quantitative performance measures reflected in the Department's Strategic Plan and be identified in one of the following areas: leadership, personal and professional excellence, scientific/engineering achievement, organizational development, customer service, administrative/technical support, or heroism.

Bronze Medal

The highest honorary award granted by a head of an operating unit or Secretarial Officer or equivalent. A Bronze Medal is defined as superior performance characterized by outstanding or significant contributions, which have increased the efficiency and effectiveness of the operating unit. To warrant a Bronze Medal, a contribution must focus on qualitative and quantitative performance measures reflected in the Department's Strategic Plan and be identified in one of the following areas: leadership, personal and professional excellence, scientific/engineering achievement, organizational development, customer service, administrative/technical support, or heroism.

Categories

Leadership

Recognizes personal leadership and management of an organization that produces substantial, innovative achievements, resulting in high quality service to the agency.

In addition, this area recognizes:

- creativity and innovation;
- external awareness;
- flexibility;

- resilience;
- motivation;
- strategic thinking;
- vision.

Achievements may include, *but are not limited to*:

- significant improvements in program effectiveness;
- efficient use of resources;
- sensitive and difficult assignments of major importance achieved through great personal initiative, commitment, effort, and competence;
- improvement in labor-management relations;
- leadership which encourages employee freedom to make decisions and to maximize the scope for individual initiative within a given job;
- acumen in developing breakthrough strategies or concepts in finding new and effective ways of accomplishing the agency's mission;
- leadership in the productive use of teams that cross organizational and agency boundaries;
- leadership which models and rewards behaviors conducive to the effective management of diversity.

Personal and Professional Excellence

Recognizes those who demonstrate an outstanding level of accomplishment in furthering the agency's mission.

Achievements are to be derived from all occupations and functional areas of the Department, including, *but not limited to*:

- administration;
- information technology;
- labor-management relations;
- legal;
- trade.

Scientific/Engineering Achievement

Recognizes scientific/engineering or technological breakthroughs that:

- resolve longstanding problems;
- radically advance the state-of-the-art;
- significantly impact Commerce or the economy;
- significantly advance the understanding, knowledge, or mastery of a given discipline.

Achievements may include, *but are not limited to*:

- authorship or editorship that affects the primary principles of the discipline involved;
- opening up new fields of inquiry;
- redefining major issues of investigation;
- contributions to the body of knowledge in a given field.

Organizational Development

Recognizes those whose accomplishments contribute to creating an organization culture that is constantly learning and growing; one which maximizes employee potential and fosters high ethical standards.

Achievements may include, *but are not limited to*:

- designing and implementing successful organization-wide programs which facilitate meeting management/supervisory responsibilities for mentoring and coaching;
- being widely recognized as an individual whose capabilities and relationships have had a direct and positive impact on the career development of a significant number of others;
- creating an environment in which teamwork thrives, one which reflects knowledge sharing, trust, pride, commitment, self-direction, and group identity, and one in which teams have produced extraordinary results.

Customer Service

Recognizes those who provide or foster a culture, which nurtures world-class customer service.

Achievements in customer service may include, *but are not limited to*:

- activities related to establishing measurements and standards for improving service;
- implementing and continuously assessing performance against standards for improvements.

Accomplishments are expressed in measurable terms, such as:

- cycle time;
- cost reduction;
- increased courtesy;
- quality to customers.

Administrative/Technical Support

Recognizes those who demonstrate an outstanding level of accomplishment in providing administrative and technical support.

Achievements reflect dedication and hard work which enable or assist the work of their fellow employees and may include, *but are not limited to*:

- advancing the goals of the team, office, division, operating unit, or Department through outstanding performance;
- creative or innovative problem solving;
- developing new systems, methods, or procedures.

Heroism

Recognizes a special one-time service or act of heroism by an employee or group of employees that is in the public interest or connected with or related to official employment. Heroism is defined as exhibiting courage, daring, and self-sacrifice.

Achievements may include, but are not limited to:

- voluntarily risking one's own life, knowingly, while saving or attempting to save the life of another person;
- displaying extraordinary skill or resourcefulness in assisting law enforcement officers, firefighters, or search and rescue professionals in saving or attempting to save the life of another person;
- demonstrating courage in risking one's own life to protect or preserve government or private property.

APPENDIX H. Honor Awards - Types of Awards and Recognition

TYPES OF AWARDS	RECOGNITION
Individual	Individual Award
One and only one individual.	The individual receives a framed certificate and medal.
Group*	Group Award
A group consists of up to ten individuals working together, where each person makes a specific substantive contribution to the achievement being recognized.	Each group member receives a framed certificate and medal.
Organization	Organizational Award
An organization may be either an office, division, or subunit which is formally recognized as a separate entity, as in organization orders or charts or an ad hoc organization assembled for the purpose of working on a specific project. There are two types of organizations:	There are two types of organizational awards:
<i>Single Organization</i> - one office, division, subunit or ad hoc organization, in which all or most of the people in the organization work together to complete the specific project being recognized.	<i>Single Organizational Award</i> - the organization receives a framed certificate and medal. If the employees are from different operating units, each team receives a framed certificate and medal.
<i>Joint Organization</i> - two or three* offices, divisions or subunits who work together to produce an achievement for which they are substantially responsible for the outcome and in which each participated fully in the achievement being recognized.	<i>Joint Organizational Award</i> - each organization receives a framed certificate and medal.
(*) Requests for an exception to the group or joint organization limitation will be reviewed on a case-by-case basis.	